

23 OCTOBER 1946

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Of
WITNESSES

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Of
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1 Wednesday, 23 October, 1946

2 - - -

3 INTERNATIONAL MILITARY TRIBUNAL
4 FOR THE FAR EAST
5 Court House of the Tribunal
6 War Ministry Building
7 Tokyo, Japan

8 The Tribunal met, pursuant to adjournment,
9 at 0930.

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13 Appearances:

14 For the Tribunal, same as before.

15 For the Prosecution Section, same as before.

16 For the Defense Section, same as before.

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20 (English to Japanese and Japanese
21 to English interpretation was made by the
22 Language Section, IMTFE.)
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LIEBERT

DIRECT

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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now in session.

3 THE PRESIDENT: All the accused are present
4 except OKAWA and MATSUI. We have a doctor's cer-
5 tificate as to the state of MATSUI's health. The
6 certificate will be filed.

7
8 J O H N G R A N V I L L E L I E B E R T , called
9 as a witness on behalf of the prosecution, resumed
10 the stand and testified as follows:

11 THE PRESIDENT: Brigadier Quilliam.

12 BRIGADIER QUILLIAM: May it please the
13 Tribunal, may I refer to Court exhibit 850, which
14 was produced yesterday afternoon, record of Privy
15 Council meeting. I have checked the records and
16 have satisfied myself that the Foreign Minister
17 HIROTA, referred to there, is the accused HIROTA.
18 I regret that I was not in a position to give that
19 information yesterday.

20 THE PRESIDENT: At the request of Major
21 Blakeney, the transcript will be altered at page
22 8,005, line 6, by the deletion of the word "clever"
23 and the substitution of the word "covert."
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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now in session.

3 THE PRESIDENT: All the accused are present
4 except OKAWA and MATSUI. We have a doctor's cer-
5 tificate as to the state of MATSUI's health. The
6 certificate will be filed.

7 Brigadier Quilliam.

8 BRIGADIER QUILLIAM: May it please the
9 Tribunal, may I refer to Court exhibit 850, which
10 was produced yesterday afternoon, record of Privy
11 Council meeting. I have checked the records and
12 have satisfied myself that the Foreign Minister
13 HIROTA, referred to there, is the accused HIROTA.
14 I regret that I was not in a position to give that
15 information yesterday.

16 THE PRESIDENT: At the request of Major
17 Blakeney, the transcript will be altered at page
18 8,005, line 6, by the deletion of the word "clever"
19 and the substitution of the word "covert."

20 DIRECT EXAMINATION

21 BY BRIGADIER QUILLIAM (Continued):

22 Q I will ask the witness to continue his
23 evidence by giving a summary of document, exhibit
24 No. 852.

25 A Document 852 is a series of ten communica-

LIEBERT

DIRECT

DIRECT EXAMINATION (Continued)

BY BRIGADIER QUILLIAM:

Q I will ask the witness to continue his evidence by giving a summary of document, exhibit No. 852.

A Document 852 is a series of ten communica-

LIEBERT

DIRECT

1 tions among officials of the War Ministry and the
2 Finance Ministry. They all relate to the prepara-
3 tion of military currency in foreign denominations,
4 for use in undisclosed areas. That is, the first
5 five -- the first few documents relate to undisclosed
6 areas, and the several documents following refer to
7 the use of this currency in territories to be
8 occupied.

9 Communication No. 1, top secret, dated 16
10 January 1941, is addressed to the Chief of the
11 Financial Bureau, Ministry of Finance, from the
12 Chief of Intendance Bureau, the War Ministry.
13 This communication requests that there be urgently
14 prepared original plates of military currencies to
15 be used in certain unspecified areas. An admoni-
16 tion on the communication states that the matter,
17 for caution's sake, should be held within the con-
18 fidence of the officials in charge.

19 Communication No. 2, likewise top secret,
20 sanctioned 24 January 1941, bearing the seals of
21 several prominent officials, referred to the sub-
22 ject of preparation and printing of military cur-
23 rency notes, and is an acknowledgment of the
24 communication and the matters contained therein by
25 the several officials.

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DIRECT

1 Communication No. 3, likewise top secret,
2 sanctioned 29 March 1941, bearing the seals of
3 several prominent officials, referred to the same
4 subject, that is, the printing of "Ha" and "Ni"
5 Series military currency notes, pursuant to the
6 conference held on the 24th of January.

7 Attached to this communication, Draft No. 2,
8 dated 1 April 1941, is an order to the Chief of the
9 Cabinet Printing Bureau to manufacture immediately
10 "Ha" and "Ni" Series military currency notes in
11 Dutch language, in the English language, with the
12 completion date early in March 1941 requested.

13 Q I think, witness, the completion date is
14 early April, not March. Is that so?

15 A That is correct.

16 Communication 5, top secret, sanctioned
17 the 23rd of April 1941, refers again to the arrange-
18 ment for the manufacturing of "Ha" and "Ni" Series
19 military currency notes.

20 Communication No. 6, military secret,
21 dated 13 September 1941, contains a request to
22 make arrangements immediately for the manufacture
23 of "Ho" Series notes in denominations of pesos. It
24 likewise contains an order to prepare "Ni" Series
25 military currency in denominations of dollars.

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1 Again, it requests the preparation of notes in de-
2 nominations of guilders.

3 Communication No. 7--

4 THE PRESIDENT: Is it not important to
5 give the denominations of some of the notes, or,
6 rather, the numbers of some of the denominations?
7 Or at least the totals?

8 THE WITNESS: Communication No. 6 re-
9 quests a total of currency notes, in denominations
10 of pesos, of 37,200,000 pesos.

11 The total additional "Ni" Series military cur-
12 rency, in denominations of dollars --

13 THE PRESIDENT: Before you state that, the
14 date of completion is also important, is it not?

15 THE WITNESS: It was requested that the
16 pesos referred to in communication No. 6 should be
17 completed -- the manufacture should be completed,
18 by the 20th of October.

19 The "Ni" Series military currency notes
20 in denomination of dollars, a total of 40,586,000
21 was requested to be completed by the 10th of
22 December, one-half to be completed the 30th of
23 October.

24 THE PRESIDENT: I make it forty-five
25 millions, Mr. Liebert, by adding four naughts to

LIEBERT

DIRECT

1 your total.

2 THE WITNESS: Correction. 45,860,000.

3 MR. SMITH: If Your Honor please, could we
4 have the witness mention the years as we go along?

5 THE PRESIDENT: Yes. The years are im-
6 portant. This is in respect of the year 1941, if
7 I understand it rightly.

8 BRIGADIER QUILLIAM: May it please your
9 Honor, I think it is plain from the document that
10 the year in all cases is 1941.

11 Q That is so, witness, is it not? Did you
12 hear my question?

13 THE PRESIDENT: He is checking.

14 A The date 1941 does not appear under the item
15 "date of completion," but obviously 1941 is meant.
16 Other documents will disclose that these notes were
17 actually printed in 1941. There is no question
18 about it.

19 The preparation of notes in denominations
20 of guilders, to a total of 45,860,000 guilders, was
21 requested to be completed the 30th of December, one-
22 half to be completed the 20th of November.

23 Communication No. 7 --
24
25

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DIRECT

1 THE PRESIDENT: The "R-o" Series -- 6.

2 Q His Honor points out, witness, that you have
3 not dealt with paragraph four, the "Ro" Series, on
4 page ten.

5 A It was further requested in paragraph four
6 that additional manufacture of currency, the "Ro"
7 Series, should total ten million in units of yen
8 equivalent value, to be completed by the 20th of
9 November.

10 Communication No. 7, designated "Top Secret,"
11 sanctioned 16 September, 1941, is a communication --
12 subject: concerning the manufacture of "Ho" and "Ro"
13 Series and also "Ha" and "Ni" Series military curren-
14 cy notes. It refers to a request to manufacture the
15 currencies in accordance with the attached sheet.
16 This attached sheet was obviously included for budget-
17 ary reasons inasmuch as it lists the denominations in
18 yen and requests the preparation of "Ha" -- of "Ho"
19 Series notes -- merely a technical -- communication
20 regarding the technical parts of printing these notes.

21 Communication No. 8, military secret, is an
22 inquiry pertaining to the forwarding of military cur-
23 rency, dated 15 of October, 1941. The Chief of the
24 Intendance Bureau, War Ministry, requests the Chief
25 of the Financial Bureau to forward certain of these

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DIRECT

1 currencies to the Bank of Japan, Shanghai agency,
2 to arrive by the 22nd of October.

3 Communication No. 10 is a communication re-
4 lating to the issue of military currency notes in
5 foreign denominations and the outline for the purp-
6 ose to which these notes are to be put.

7 BRIGADIER QUILLIAM: May it please your
8 Honor, attention should be drawn to the names TOJO,
9 KIMURA, SHIMADA and OKA, all defendants. They are
10 referred to in Communication 9.

11 A (Continuing) The mode of procedure as out-
12 lined in Communication 9, page 17, I should like to
13 read.

14 THE PRESIDENT: Yes, it seems important.

15 BRIGADIER QUILLIAM: May it please your
16 Honor, I have been informed that on the copy of
17 Communication 9 which the defense counsel have,
18 OKA's name does not appear. I think the name has
19 been inserted as a correction in the copies held by
20 the Court.

21 THE PRESIDENT: We have "Chief of the Naval
22 Affairs Bureau, OKA KEI."

23 BRIGADIER QUILLIAM: I will undertake,
24 your Honor, to satisfy my friends as to the accuracy
25 of the correction.

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DIRECT

1 THE PRESIDENT: It appears as one name,
2 "OKAKEI." Then it is crossed out and made into two.
3 We had better look at the Indictment. No. In the
4 Indictment the accused is OKA, Takasumi.

5 BRIGADIER QUILLIAM: I must look into that
6 matter, sir. I am sure this is the same man. He is
7 the man who held that office at that time, but it is
8 well to take it up.

9 THE PRESIDENT: That must be proved, of
10 course.

11 BY BRIGADIER QUILLIAM (Continued):

12 Q Will you continue, please, witness?

13 A I shall read from page 17, "Outline for the
14 issuance of military currency notes," paragraph one:

15 "1. Military currency notes in foreign
16 denominations are to be issued for the purpose of
17 affording the conveniences to defray war expenditures,
18 in consideration of the eventuality of carrying out
19 a military operation in the southern regions.

20 "2. The military currency notes are to be
21 exchangeable with Japanese currency, where neces-
22 sary.

23 "3. The mode of procedures of the preced-
24 ing Articles shall be determined at a conference of
25 the Minister of Finance, the War Minister and the

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DIRECT

Navy Minister."

1 Communication No. 10, Top Secret, sanctioned
2 31 of October, 1941, refers to the institution of
3 procedures for handling military currency notes in
4 foreign denominations for the southern regions. I
5 should like to read from page 18, and following, the
6 method for procedures in the handling of these mili-
7 tary notes because it discloses fairly well the in-
8 tention of financing the war in these territories
9 to be occupied by the use of these notes in foreign
10 denominations.
11

12 "In consideration of the eventuality of
13 carrying out operations in the South Seas area, the
14 policy in regard to the matter of issuing military
15 currency notes of foreign denominations for the purp-
16 ose of affording the convenience of defraying the
17 military expenditures of the said forces is to have
18 the outline for the issuance of military currency
19 notes decided by the Prime Minister, the Finance
20 Minister, the War Minister and the Navy Minister and
21 have it carried out, but would it be all right to
22 establish a procedure for the handling of military
23 currency notes of foreign denominations for the
24 southern areas, as enclosed herein, after the above
25 has been decided? Furthermore, it is desired that

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DIRECT

1 this matter be substituted at the conference with
2 the War Minister and the Navy Minister as stipulated
3 in Article 3 of the outline for the issuance of mili-
4 tary currency notes. After the above has been de-
5 cided, would it be all right to notify the respective
6 quarters concerned with the following plan? We
7 again seek for your approval.

8 "DRAFT OF PROCEDURE FOR HANDLING MILITARY
9 CURRENCY NOTES IN FOREIGN DENOMINATIONS FOR SOUTHERN
10 REGIONS.

11 "ARTICLE 1. For the purpose of affording
12 the convenience of defraying the war expenditures in
13 the areas of military operations in the South, the
14 government shall issue military currency notes in
15 foreign denominations within the scope of the
16 budget."

17 THE PRESIDENT: The IBM is out of order.
18 We must pause for a minute or two.

19 (Whereupon, a short recess was
20 taken, after which the proceedings were
21 resumed as follows:)

22 A (Continuing) I will summarize Communication
23 10.
24

25 "DRAFT OF PROCEDURE FOR HANDLING MILITARY
CURRENCY NOTES IN FOREIGN DENOMINATIONS FOR SOUTHERN

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DIRECT

1 REGIONS."

2 The military currency notes mentioned there-
3 in are called, for the purposes of this procedure,
4 "military currency notes of 1941," and their denom-
5 inations shall be gulden, dollars and pesos.
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1 It was provided that the Chief of the
2 Financial Bureau, with the approval of the Minister
3 of Finance, could call upon the Cabinet Printing
4 Bureau for the manufacture and determination of the
5 period of manufacture of these military notes. Upon
6 receipt of the knowledge that the notes had been
7 printed they were to be turned over under the author-
8 ization of the Chief of the Financial Bureau to the
9 Bank of Japan.

10 When the War Ministry or the Navy Ministry
11 desired to have payments in foreign currency military
12 notes, they were to give advice to the Minister of
13 Finance who, in turn, would pass this advice to the
14 Bank of Japan who would turn over the notes as requested.
15 It was also provided that the Bank of Japan should pre-
16 pare a 1941 account book for these military currency
17 notes and would report the receipts and disbursements
18 to the Ministry of Finance each time a transaction
19 was made.

20 Page 21 at Communication 10, a chart shows
21 the amount of military currency to be deposited in a
22 specific deposit for 1941 according to the denomination,
23 accepting value and area in which they were to be used.
24 It is disclosed that the "Ha" Series of notes in de-
25 nomination of gulden were to be used in the Dutch East

LIEBERT

DIRECT

1 BRIGADIER QUILLIAM: May it please the
2 Tribunal, I offer in evidence IPS Document No. 9016.

3 THE PRESIDENT: Admitted on the usual terms.

4 CLERK OF THE COURT: Prosecution's document
5 No. 9016 will receive exhibit No. 853.

6 (Whereupon, the document above
7 referred to was marked prosecution's exhibit
8 No. 853 and was received in evidence.)

9 THE WITNESS: I have indicated in this
10 statement, Mr. President, that I would read document
11 9016. However, since we have so completely covered
12 the procedures which are the same as outlined in that
13 document, with your permission, I will omit the reading
14 of document 9016 which has recently been made an ex-
15 hibit.

16 THE PRESIDENT: You were speaking from drafts.
17 Now we have the document itself. The date is import-
18 ant in each case. There is no need to read the document.

19 BRIGADIER QUILLIAM: I do not think, sir,
20 that the witness heard your first remark.

21 THE PRESIDENT: The shorthand writer can
22 repeat it.

23 (Whereupon, the official court reporter
24 read as follows: There is no need to read the
25 document.)

LIEBERT

DIRECT

Indies and were to have an accepting value at a parity with the yen, that is to say, one guilder, one yen.

It was further disclosed that the "Ni" Series notes in denomination of dollars were to be used in British Malay, British Borneo and Thailand. The accepting value of these notes were to be on a par with the yen, that is to say, one dollar to one yen.

The "Ho" Series notes as shown on this chart were to be in denomination of pesos for use in the Philippines, the accepting value, one peso, one yen.

Attached to Communication No. 10 is Draft No. 1, the communication from the Minister of Finance to the War Minister and the Navy Minister, informing him that the instructions -- that the procedures for handling the military currency notes had been instituted.

Draft No. 4 attached to the same communication indicates that the Financial Commissioner at Shanghai had been notified accordingly on the first of November.

(Reading): "118. The procedure for handling this special military currency is disclosed in IPS Document 9016, dated 1 November 1941. This document was addressed from Minister of Finance Okinobu KAYA to the Bank of Japan."

LIEBERT

DIRECT

1 BRIGADIER QUILLIAM: May it please the
2 Tribunal, I offer in evidence IPS Document No. 9016.

3 THE PRESIDENT: Admitted on the usual terms.

4 CLERK OF THE COURT: Prosecution's document
5 No. 9016 will receive exhibit No. 853.

6 (Whereupon, the document above
7 referred to was marked prosecution's exhibit
8 No. 853 and was received in evidence.)

9 THE WITNESS: I have indicated in this
10 statement, Mr. President, that I would read document
11 9016. However, since we have so completely covered
12 the procedures which are the same as outlined in that
13 document, with your permission, I will omit the reading
14 of document 9016 which has recently been made an ex-
15 hibit.

16 THE PRESIDENT: You were speaking from drafts.
17 Now we have the document itself. The date is import-
18 ant in each case. There is no need to read the document.

19 BRIGADIER QUILLIAM: I do not think, sir,
20 that the witness heard your first remark.

21 THE PRESIDENT: The shorthand writer can
22 repeat it.

23 (Whereupon, the official court reporter
24 read as follows: There is no need to read the
25 document.)

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THE PRESIDENT: Except the first paragraph.

1 THE WITNESS: (Reading) "1 November 1941.
2 Secretariate Secret B No. 841-3. Bank of Japan. The
3 procedures in dealing with the military currency ex-
4 pressed in southern region foreign currency have been
5 prescribed as under and shall accordingly be pursued.
6 Okinobu KAYA, Minister of Finance."

7 THE PRESIDENT: That is sufficient.

8 BRIGADIER QUILLIAM: May it please the
9 Tribunal, I offer for identification IPS Document
10 No. 9016-A, being a bank book of the Bank of Japan.

11 CLERK OF THE COURT: Prosecution's document
12 No. 9016-A will receive exhibit No. 854 for identifi-
13 cation only.
14

15 ("Whereupon, the document above
16 referred to was marked prosecution's exhibit
17 No. 854 for identification.)

18 THE PRESIDENT: In the Indictment the accused
19 KAYA appears as KAYA, Okinori.

20 BY BRIGADIER QUILLIAM:

21 Q Will you proceed with the reading, please,
22 Mr. Liebert?

23 A (Reading) "That currency in foreign denom-
24 inations of guilders, pesos and dollars was actually
25 printed in execution of the plans and orders disclosed

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1 in exhibit 852 and exhibit 854 is disclosed in IPS
2 Document 9016-B."

3 I should like to call attention to a minor
4 error in this statement. The statement reads, "This
5 latter document is a ledger." It is rather "extracts
6 from a ledger."

7 Q Will you continue, please?

8 A (Reading) "This latter document is extracts
9 of the ledger of the Bank of Japan showing entries of
10 amounts of currencies by kind, together with the dates
11 on which such currencies were received by the Bank of
12 Japan for handling, pursuant to the instructions con-
13 tained in exhibit 854!"

14 BRIGADIER QUILLIAM: May it please the Tribunal,
15 I offer in evidence IPS Document 9016-B.

16 THE PRESIDENT: Is that the right number? I
17 have 854 for identification.

18 BRIGADIER QUILLIAM: No, that is 9016-A, if
19 it please your Honor.

20 THE PRESIDENT: Admitted on the usual terms.

21 CLERK OF THE COURT: Prosecution's document
22 No. 9016-B will be given exhibit No. 854-A.

23 (Whereupon, the document above
24 referred to was marked prosecution's exhibit
25 No. 854-A and was received in evidence.)

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1 THE WITNESS: (Reading) I will read exhibit
2 854-A for the purpose of showing that as early as
3 May 1941 currencies in foreign denominations for
4 anticipated use in southern regions was in existence.

5 "General Records Book from the Bank of Japan,
6 Ledger of the Locality of Goods Controlled and Entrusted
7 to the Government.

8 "Unissued war notes; Date; Note; Number;
9 Sum entered into the bank and disbursements -- The
10 above is the heading on each and every page of this
11 book.

12 "From page 1: Date, 1941 -- 20 June 1941,
13 Amount received -- 5,000,000 yen; labelled 1941
14 issue, Military Currency, 'Ha-go'--

15 THE PRESIDENT: Have you the totals?

16 BRIGADIER QUILLIAM: It is sufficient
17 probably to give maybe the totals as his Honor sug-
18 gests.

19 THE PRESIDENT: And the dates between which
20 they were issued. The first date seems to be the
21 20 June 1941 and the last, 23 May.

22 BRIGADIER QUILLIAM: 23 May.

23 THE PRESIDENT: I do not see that but no
24 doubt it is there; my colleagues notice it. Yes,
25 that is so -- top of page 7 of the original book.

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DIRECT

1 THE WITNESS: The earliest entry was the
2 23 of May. The amount received by the Bank of Japan,
3 500,000 yen, the "Ha-go" notes in accepting value of
4 50 sen.

5 THE PRESIDENT: The last date is in December.

6 THE WITNESS: The last date of acceptance
7 would appear to be the 6 of December, the amount
8 received, 1,000,000 yen of "Ha-go" notes, accepting
9 value, one yen.

10 THE PRESIDENT: What are the totals received
11 and issued by the bank?

12 THE WITNESS: According to the instructions
13 received by the Bank of Japan from the Minister of
14 Finance they were to acknowledge receipt of these
15 notes from the Cabinet Printing Bureau and to notify
16 the Finance Ministry when they had disbursed any of
17 these notes. This is a record, the record which the
18 Bank of Japan was instructed to keep of the amounts
19 of notes received from the Cabinet Printing Bureau
20 with the dates on which they were received.

21 THE PRESIDENT: Repeat my question about
22 totals, will you please.

23 (Thereupon, the official court
24 reporter read as follows: What are the totals
25 received and issued by the bank?)

LIEBERT

DIRECT

1 THE WITNESS: Mr. President, I have not
2 made those totals but I will give them to you as
3 soon as I have accounted for them after the next
4 recess.

5 THE PRESIDENT: Would the ledger disclose
6 this, or the extracts from the ledger, that between
7 May and December, 1941, the bank received some of
8 this currency in every month except September?

9 THE WITNESS: It would appear that the ledger
10 discloses that.

11 BRIGADIER QUILLIAM: May it please the
12 Tribunal, is any further information required from
13 this document?

14 THE PRESIDENT: Nothing further than what
15 we have intimated.

16 BRIGADIER QUILLIAM: May it please the Tribunal,
17 before we proceed may I refer to the question that
18 arose with reference to the defendant OKA. The OKA
19 mentioned on page 16 of exhibit 852 as being Chief of
20 the Naval Affairs Bureau is, in fact, the defendant OKA.
21 That, if it please your Honor, is disclosed in exhibit
22 No. 120. I am sorry, sir, my learned friend and I
23 cannot agree on the number of the exhibit, I am afraid.
24 It is OKA's personnel record. I have it marked as 120
25 and my learned friend has 102. What I have said applies

LIEBERT

DIRECT

1 to the reference to OKA on page 18 of the same docu-
2 ment.

3 BY BRIGADIER QUILLIAM:

4 Q Will you please continue?

5 A (Reading) "119. As further proof of the
6 existence of military notes in denominations of
7 guilders, pesos, and dollars which the Japanese in-
8 tended to use to defray war expenses in southern
9 regions I have secured from the Ministry of Finance
10 the actual engraver's plates manufactured before
11 December 7, 1941, pursuant to the orders contained
12 in exhibit 852, together with some of the actual
13 notes printed from these plates before December 7,
14 1941."

15 BRIGADIER QUILLIAM: May it please the
16 Tribunal, I offer in evidence twenty-nine engraver's
17 plates, together with seventeen currency notes printed
18 from the plates. I also tender three certificates,
19 being IPS Documents Nos. 9028-A, 9028-B, and 9028-C.
20 These certificates refer to the plates and show that
21 some of the plates were made on the 29th of March,
22 1941 and the balance on the 16 of September, 1941.
23 I suggest that the plates, the notes and the certif-
24 icates be treated as one exhibit.
25

THE PRESIDENT: Admitted on the usual terms

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as one exhibit.

1 CLERK OF THE COURT: Prosecution's document
2 No. 9028-A and No. 9028-B and No. 9028-C, comprising
3 seventeen engraved military notes and twenty-nine
4 engraver's plates and stones, and the certificates
5 relative thereto will be given exhibit No. 855.
6

7 (Whereupon, the documents above
8 referred to were marked prosecution's exhibit
9 No. 855 and received in evidence.)

10 BRIGADIER QUILLIAM: I am not sure, if it
11 please your Honor, in what way the Tribunal would
12 have these plates exhibited to the Members of the
13 Tribunal. They are in bundles and could easily be
14 distributed or examined at a later stage.

15 THE PRESIDENT: We do not want copies of
16 the plates or of the notes. We accept the certificates
17 as sufficient.

18 BRIGADIER QUILLIAM: Yes, your Honor. I will
19 ask the witness to continue the reading of his state-
20 ment.

21 THE WITNESS: (Reading) "120. In the
22 integration of territories outside the limits of
23 Japan proper, the device of the 'National Policy'
24 companies was used extensively by the Japanese
25 Government. National policy companies were created

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1 by special legislation of the Japanese Government
2 to create business enterprises abroad when it was
3 difficult or inexpedient to induce private enter-
4 prises and private capital to undertake a particular
5 kind of business, or where it was desired to develop
6 a foreign territory. A list of the more important
7 national policy companies which the Japanese Govern-
8 ment initially established abroad, together with a
9 short description of their activities, follows:

10 "(1) The South Manchurian Railway Company
11 was a Japanese corporation formed for the purpose of
12 developing railway and communication, water transport
13 service, motorcar transport service, mining, electrical
14 industry, warehousing, management of land, and such
15 other business as would be appointed by the Government.
16 The South Manchurian Railway, together with its sub-
17 sidiary companies, was the largest single economic
18 unit in Manchuria. The company was formed in 1906
19 and continued a gradual development of railways and
20 other services as a business enterprise until after
21 1931 when it became the active Government exploitation
22 agency in Manchuria. Its capital was increased many
23 times. Until prior to the outbreak of the war in
24 December 1941 its capital was 600,000,000 yen.
25

 "(2) The Manchuria Industry Development

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1 Corporation was established pursuant to an economic
2 agreement between the Manchoukuo Government and the
3 Japanese Government. While, ostensibly this was a
4 Manchoukuo Government National Policy Company, in
5 reality, because of the economic understanding between
6 Manchoukuo and Japan, it was truly a national policy
7 company of Japan. It was organized pursuant to a
8 Manchoukuo Imperial Ordinance No. 460, promulgated
9 December 20, 1937. The purpose of this company was
10 to expedite the development and establishment of
11 heavy industries and to control those industries at
12 the direction of the Manchurian Government. These
13 industries included iron and steel, light metals,
14 automobile manufacture, airplane manufacture, the
15 coal industry, together with mining of all kinds and
16 such other industries as the Government from time to
17 time authorized it to promote.

18 "(3) The Oriental Development Company was
19 formed in accordance with the provisions of Law No.
20 63, of 1908, for the purpose of supplying funds nec-
21 essary for the development of undertakings in the
22 promotion of the Japanese interests in countries
23 outside Japan proper. The original capital of the
24 company was 10,000,000 yen but by 1941 it had increased
25 to 50,000,000 yen.

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1 "(4) The Taiwan Electric Power Company
2 was formed August 1, 1919, for the purpose of
3 developing the electric power industry in Formosa.
4 In 1940 its capitalization was 77,400,000 yen. The
5 company concerned itself, under the direction of the
6 Japanese Government, with the distribution of electric
7 power.

8 "(5) The South Seas Development Company
9 was formed November 27, 1936, for the purpose of
10 developing the South Sea Islands with particular
11 relation to fishing and other natural resources.
12 Its original capitalization was 20,000,000 yen.

13 "(6) The Taiwan Development Company was
14 formed pursuant to Law of February 3, 1936, for the
15 purpose of the development of industrial enterprises
16 in Formosa. Its original capitalization was 30,000,000
17 yen.

18 "(7) The Korea Forestry Development Company
19 was formed September 1, 1937, for the purpose of
20 developing the Lumber Industries in Korea. Its orig-
21 inal capitalization was 20,000,000 yen.

22 "(8) The Japan Gold Production Enterprise
23 Company was formed pursuant to law, September 16,
24 1938, for the purpose of developing the production
25 of gold in the dominated areas as well as Japan proper.

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1 Its original capitalization was 50,000,000 yen.

2 "(9) The North China Development Company
3 was formed pursuant to Law 81, April 30, 1938, for
4 the purpose of promoting the economic development
5 of North China and for controlling and coordinating
6 the economics of North China. The original capital-
7 ization of the company was 350,000,000 yen."

8 THE PRESIDENT: This is a convenient break.
9 We will recess now for fifteen minutes.

10 (Whereupon, at 1045, a recess was
11 taken until 1105, after which the proceedings
12 were resumed as follows:)
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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now resumed.

3 THE PRESIDENT: Brigadier Quilliam.

4 BRIGADIER QUILLIAM: May it please the
5 Tribunal, I will ask the witness to continue reading
6 at paragraph 10 on page 92.

7 THE WITNESS:

8 "(10) The Central China Development Company was
9 formed pursuant to the law, November 10, 1938,
10 to accomplish the same purposes as the North
11 China Development Company by operating within
12 the Central China area. The capitalization
13 of the Central China Development Company was
14 100,000,000 yen.

15 "(11) The Korea Magnesite Development Company was
16 formed pursuant to law, June 19, 1939, with a
17 capitalization of 15,000,000 yen, for the pur-
18 pose of developing magnesite mining and the
19 control and sale thereof.

20 "(12) The Korea Rice Exchange Company was formed
21 November 25, 1939, with a capital of 5,000,000
22 yen for the purpose of controlling the rice
23 exchange in Korea. Deficiency in Japan's rice
24 production is in great part made up from
25 Korea's excess.

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1 instrument for the complete control of
2 petroleum."

3 "While this list shows the capital invest-
4 ment in these foreign operating national policy com-
5 panies up to 1941, it is to be understood that after
6 that time enormous further capital outlays were made
7 in many instances to enlarge the scope of the activi-
8 ties of these companies and tighten the control of the
9 economies of the areas wherein they operated. This
10 further expansion was made particularly in Manchuria
11 and China. As the war progressed new national policy
12 companies were formed to further integrate the
13 economies of the dominated and occupied areas.

14 "FOREIGN EXCHANGE AND FOREIGN TRADE

15 "121. Japan is dependent on foreign com-
16 merce for her economic livelihood and position as a
17 modern industrial nation. Her natural resources are
18 extremely limited and she must import from abroad
19 about one-third of the total raw and other materials
20 required for manufacturing. All of the raw cotton,
21 wool and crude rubber used in Japanese industries
22 must be imported, while the major portion of the re-
23 quirements of iron and non-ferrous metals (notably,
24 copper, lead, zinc, nickel, antimony and tin) coking
25 coal, petroleum, phosphorous ores and industrial salt

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- 1 "(13) The Korea Mining Development Company was
2 formed pursuant to law August 26, 1940, with
3 an authorized capitalization of 10,000,000
4 yen. The purpose of this company was to
5 control the mining and sale of all minerals
6 except magnesite which was already control-
7 led by the Korea Magnesite Development
8 Company. This Company was the effective
9 instrument by which the Government more
10 rigidly controlled the output of mines in
11 Korea.
- 12 "(14) The Karafuto Development Company was formed
13 pursuant to law, July 10, 1941, with an
14 authorized capital of 50,000,000 yen. The
15 purpose of this company was to develop and
16 control mining, forestry, and the agricul-
17 tural development of that territory.
- 18 "(15) The Imperial Petroleum Company was formed
19 September 1, 1941, with an authorized capi-
20 tal of 100,000,000 yen. The purpose of this
21 company was to survey and develop oil fields,
22 both in Japan proper and in the dominated
23 territories and to control the purchase and
24 the sale of all petroleum and oil products.
25 This company was the effective Government

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1 instrument for the complete control of
2 petroleum."

3 "While this list shows the capital invest-
4 ment in these foreign operating national policy com-
5 panies up to 1941, it is to be understood that after
6 that time enormous further capital outlays were made
7 in many instances to enlarge the scope of the activi-
8 ties of these companies and tighten the control of the
9 economies of the areas wherein they operated. This
10 further expansion was made particularly in Manchuria
11 and China. As the war progressed new national policy
12 companies were formed to further integrate the
13 economies of the dominated and occupied areas.

14 "FOREIGN EXCHANGE AND FOREIGN TRADE

15 "121. Japan is dependent on foreign com-
16 merce for her economic livelihood and position as a
17 modern industrial nation. Her natural resources are
18 extremely limited and she must import from abroad
19 about one-third of the total raw and other materials
20 required for manufacturing. All of the raw cotton,
21 wool and crude rubber used in Japanese industries
22 must be imported, while the major portion of the re-
23 quirements of iron and non-ferrous metals (notably,
24 copper, lead, zinc, nickel, antimony and tin) coking
25 coal, petroleum, phosphorous ores and industrial salt

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1 must also be imported. One of Japan's great problems
2 has always been to sell sufficient materials and manu-
3 factured goods to acquire the necessary exchange to pay
4 for these imports. Thus, foreign trade and foreign
5 exchange transactions played a vital role in the com-
6 plete industrial development and economic life of the
7 country."

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1 "122. The exports of Japan's industries
2 have seldom been sufficient to pay for her imports
3 except in 1909, 1915 to 1918 and 1935. Before 1931
4 the excess of imports was paid for by foreign borrow-
5 ings and by depleting the gold and foreign balances
6 acquired by Japan during World War I. Since the
7 Manchurian Incident, however, Japan has not been
8 able to borrow abroad. Even the usual short-term
9 credits were curtailed, and it is common knowledge
10 that Japanese merchants had to make substantial
11 cash payments at the time of placing orders
12 abroad. As a consequence of expansion in the
13 heavy industries fields, together with capital
14 investments in Manchoukuo and China, at a time
15 when Japan's balance of trade was unfavorable,
16 enormous outlays of foreign exchange were re-
17 quired. To make the necessary payments for
18 increased purchases of machinery and equipment,
19 petroleum, metals, metal products and various
20 other commodities not indigenous of Japan, but
21 necessary to industrial expansion for war mater-
22 ials production, the problem of acquisition of
23 sufficient foreign exchange was magnified many
24 times. Japan attempted to solve the import
25 financing problem in the following ways:

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1 "(a) By consolidating, conserving and
2 controlling all of the available foreign exchange
3 and restricting imports to supply materials accord-
4 ing to plan.

5 "(b) By stimulating exports to foreign
6 currency countries.

7 "(c) By increasing Empire gold production.

8 "123. The first decisive measure to
9 conserve foreign exchange was taken in the summer
10 of 1932 by enactment of the Capital Flight Prevention
11 Law, a few months after Japan went off the gold
12 standard for the third time. Pursuant to this
13 Law bank reports on foreign exchange transactions
14 were made compulsory to enforce the embargo on
15 gold exports. The gold embargo of 1931, unfortu-
16 nately for Japan, did not prevent gold exports,
17 nor did the Capital Flight Prevention Law. As
18 a result of the allowed gold exports in 1932 which
19 amounted to 112,000,000 yen, the Foreign Exchange
20 Control Law of March 1933, (Law No. 28), was
21 enacted. It became the basis for many subsequent
22 regulations in regard to the handling and dispo-
23 sition of foreign exchange.
24

25 "124. The Foreign Exchange Control Law,
with subsequent amendments, authorized the Government

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1 to concentrate all foreign exchange transactions in
2 the Bank of Japan and other specified banks and
3 required the compulsory sale to the Government of
4 exchange securities and currencies. If further
5 permitted the Government to prohibit, or limit,
6 the acquisition and disposal of securities and
7 debentures in foreign countries, the issue and
8 acquisitions of letters of credit, the granting
9 of credits to persons abroad, the imports and
10 exports of securities and the export of articles
11 not covered by permitted purchases of foreign
12 exchange. The powers granted by this law were
13 not completely invoked until January 8, 1937, when,
14 although prior to the Lukouchiao Incident, the
15 import excess was so great that Japan began
16 actually to ship gold in payment for imports.
17 More effective action had to be taken to prevent
18 the non-essential spending of foreign exchange
19 assets. On January 8, 1937, exchange settle-
20 ments in payment of imports amounting to more than
21 30,000 yen per month were made subject to licence.
22 This limit of exception from licence was progress-
23 ively lowered by new enforcement ordinances to
24 transactions of 1,000 yen per month on July 7,
25 1937 (Ordinances No. 23) and to 100 yen per month

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1 on December 11, 1937 (Ordinance No. 55). Further
2 restrictions on credits for Japanese travelers
3 abroad and remittances to other countries were
4 imposed.

5 "125. The Army, realizing that the success
6 or failure of production plans depended in great
7 measure upon the careful balancing of imports and
8 exports with consideration to ability to pay,
9 drafted its policy regarding foreign trade
10 control. This policy is set out in the 'Resume
11 of Policy Relating to Execution of Summary of
12 Five-Year Program of Important Industries',
13 dated 10 June 1937, (Part II of exhibit 842."

14 I will read the following excerpts,
15 from Section II of that Document as shown on
16 pages 5 to 9 inclusive:
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1 "II. Foreign Trade and Exchange Policy.

2 "Upon estimating the international receipts
3 and payments accompanying the execution of this plan,
4 Japan and Manchuria considered as one unit, the
5 deficiency in international payments as shown in the
6 following table exceeded 1,000,000,000 yen for the
7 years 1937 and 1938, and this cannot be paid up with
8 that year's gold export alone. However, with the
9 repletion of productive power, it is anticipated
10 that this decline will be checked and that the inter-
11 national balance will improve from 1940 on.

12 "ESTIMATES OF INTERNATIONAL RECEIPTS & PAY-
13 MENTS, JAPAN & MANCHURIA CONSIDERED AS ONE UNIT, ACCOM-
14 PANYING EXECUTION OF THIS PLAN. Unit - Yen 1,000,000. "

15 THE PRESIDENT: Wouldn't it be sufficient to
16 give the excess or deficiency of payments? Is it
17 necessary to read all that in order to present it
18 intelligibly?

19 THE WITNESS: Mr. President, I believe the
20 table speaks for itself. It is obvious its purpose
21 is to estimate the probable deficiencies of foreign
22 exchange in order that provision might be made to make
23 up that deficiency by other means.

24 "And as whether or not the balance would
25 improve depends on proper foreign trade and exchange

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1 measures of the government, it is deemed necessary
2 to consider the following policies:

3 "'A. Measure for Foreign Trade.

4 "'(1) Comprehensive Trade Control Plan:

5 "'(a) To enact 'a trade control law,'
6 regulating uniformly the domestic and foreign terri-
7 tories and institute 'Trade Guild Law' with a view to
8 promoting autonomous control and common interest of
9 the traders.

10 "'(b) To establish 'A Foreign Trade
11 Ministry' with a view to proper adjustment and
12 management of foreign trade.

13 "'(c) To establish a National Policy Foreign
14 Trade Company, Ltd., to undertake the export and import
15 of those manufactures important for national defense.

16 "'(2) Positive measures for accelerating
17 export. The emphasis in exportation shall be laid on
18 the munitions industry and materials for production.
19 Provided that, in order to maintain balance of the
20 international receipts and payments, the export of
21 textile goods and consumable materials shall be en-
22 couraged as heretofore (see attached Table No. 3).

23 "'(a) To strengthen the Export Association
24 and enforce compulsory participation of all exporters.
25 The association shall also be made to exercise independent

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1 control in respect to qualities, quantities and prices.

2 "'(b) To undertake complete organization of
3 export banking organs for the smooth functioning of
4 export finance.

5 "'(c) To intensify the existing Export Com-
6 pensation Law and to provide overseas exportation by
7 means of export compensation and credit compensation."

8 THE PRESIDENT: To promote overseas exportation.

9 BRIGADIER QUILLIAM: To promote, not provide.

10 THE WITNESS: To promote. (Continuing to read):

11 "'(d) For the purpose of propagandizing
12 Japanese and Manchurian goods and speedy collection of
13 trade intelligence from various sources, to institute
14 Trade Offices in the principal cities of the world and,
15 in addition, to station trade intelligence officials
16 in the necessary points.

17 "'(3) Negative measures for suppressing
18 import.

19 "'(a) To keep in force the present import-
20 bill permit system, if found necessary, and to apply
21 proper and timely control over the importation of
22 nonexpedient and nonessential articles.

23 "'(b) To vest the Trade Minister with the
24 controlling power over customs duties. To amend the
25 Customs Law, laying emphasis on international receipts

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1 and payments, and adopt the Japan-Manchurian Preferen-
2 tial Tariff System, which aims at the abolishment of
3 double duty and customs duties.

4 "(c) To demand, under the indemnification
5 principle, the promotion of exportation or the sup-
6 pression of importation to those over-import countries
7 such as U. S. A., Australia, Germany, Canada, India,
8 etc., and, on the contrary, to adopt the scattered
9 purchase system according to the import compensation
10 system, in response to the demand for indemnification
11 of those over-export countries such as Central America
12 and the Near East.

13 "(4) Improvement of receipts and payments
14 outside of overseas trade.

15 "(a) To encourage the expansion of our
16 shipping business and increase the income from over-
17 seas freight.

18 "(b) To endeavor to attract the foreign
19 tourists and simultaneously to curtail expenditures a-
20 broad of Japanese and Manchurian nationals.

21 "B. Exchange Plan.

22 "(a) To maintain, as far as possible, the
23 exchange rate of one shilling, two pence against Britain
24 for the purpose of stabilizing the exchange value.

25 "(b) To intensify the Foreign Exchange

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1 Control Law and completely stop the flight abroad and
2 speculative investment abroad of our capital.

3 "(c) To fix appropriate and opportune
4 purchasing value of gold in order to encourage an
5 epoch-making production of gold (See attached Table
6 No. 3). To remove the holdings of the Manchurian
7 Central Bank to the Bank of Japan and to export
8 necessary gold.

9 "(d) To create a long-term credit abroad
10 amounting approximately to 500,000,000 yen for five
11 years, the proposed countries being U.S.A., Britain,
12 and Germany."
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1 "126. The outbreak of the China Incident
2 precipitated the Foreign Trade Adjustment Law of August 1937
3 which empowered the Government to prohibit or restrict
4 imports of certain commodities after consultation with
5 the Foreign Trade Council for the purpose of adjusting
6 the balance of payments with any particular country
7 and ensuring the supply of important commodities.
8 Very shortly thereafter, in September 1937, a new and
9 more effective law was passed which governed the
10 import and export of commodities completely. This new
11 law was called the Law for the Temporary Control of
12 Imports and Exports. Its purpose was to set up an
13 import licensing system to ensure that import trans-
14 actions were directed towards the securing of necessary
15 war-use commodities. The law also gave wide powers
16 over the distribution and consumption of commodities
17 and any articles made from such commodities. Under
18 regulations, as revised and extended, four classes of
19 commodities were defined in proportion to the urgency
20 of the demand for them. Class A contained the leading
21 raw materials of peace time industry, such as cotton,
22 wool, jute, wood pulp, wood, rubber, hides and leather.
23 Imports of these commodities were subject to severe
24 curtailment from normal levels according to the policy
25 expressed by the Planning Board. Class B listed

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1 nearly 300 articles of which imports were generally
2 entirely prohibited. These consisted, for the most
3 part, of goods which were felt to be not necessary
4 to the Japanese people or goods which could be pro-
5 duced within Japan. Chiefly, they were toilet
6 articles, light chemicals, textiles and luxuries, such
7 as beer, watches, electric fans, woolen fabrics, boots
8 and shoes, etc. Class C embraced those articles
9 considered essential for military purposes, the exports
10 of which were absolutely prohibited. This category
11 included cotton waste, gold, certain non-ferrous ores,
12 iron pipes, special steel, antimony, automobiles and
13 parts, internal combustion engines and other materials
14 of a like nature. Class D, which was added in 1938,
15 placed supervision over a specified number of imports
16 to be given preferential positions for licensing.
17 Commodities in this category included platinum, copper,
18 lead, tin, zinc, antimony, brass and mercury.

19 "127. The machinery used by the Japanese
20 Government to control foreign trade under the laws
21 above cited was the cartel system also adopted for the
22 control of manufacturing enterprises. On August 13,
23 1937, (Law No. 74) there was passed The Law of the
24 Foreign Trade Associations. This law provided that
25 there should be established import and export

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1 associations for the handling of foreign trade. The
2 members of the associations were those engaged in
3 handling the same kinds of goods or dealing in parti-
4 cular markets. The principal goods to be handled by
5 each association for the particular market was named
6 by the competent Minister. Only one association was
7 allowed in each field. Therefore, this law actually
8 formed all foreign traders into organizations which
9 carried out the policies of the Government through
10 the operation of Government-imposed restrictions,
11 inasmuch as the associations were charged with imple-
12 menting the Government's policy. Under the same law
13 the various import associations and export associations
14 were formed into two federations, one for import and
15 one for export. A third federation was a federation
16 of the two previously named. This was known as the
17 Control Federation of Foreign Trade Associations.

18 "128. The results of these programs, that is
19 to say, the operation of the Foreign Exchange Control
20 Law controlling the monies involved in transactions
21 and the Law for the Temporary Control of Imports-
22 Exports controlling commodities, were to a degree
23 effective. Nevertheless, it was soon apparent that by
24 limiting imports to war potential goods Japan was
25 unable to acquire sufficient foreign exchange to

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1 continue operations over a long period of time. It
2 should be borne in mind that while imports of non-
3 essential materials, i.e., non-war materials, were
4 curtailed, Japan, nevertheless, depended upon the
5 processing of many of these materials for her export
6 trade by which to acquire new and necessary foreign
7 exchange. This presented a real dilemma. Japan had
8 to stimulate foreign exports and make drastic curtail-
9 ments.

10 "129. So serious did the problem of acqui-
11 sition of foreign exchange become to the acquisition
12 of essential materials that, when the export trade
13 fell off, the Cabinet called for a severe curtailment
14 of plans as well as severe restrictions on civilian
15 economy. A notification from the Chief Secretary of
16 the Cabinet to the War Minister, Seishiro ITAGAKI,
17 dated 23 June 1938, (IPS Document 9018-A) discloses
18 this fact together with decisions of the Cabinet con-
19 cerning this matter."
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1 BRIGADIER QUILLIAM: May it please the
2 Tribunal, I offer in evidence IPS document No. 9018A.

3 THE PRESIDENT: Admitted on the usual terms.

4 CLERK OF THE COURT: Prosecution's document
5 No. 9018A will receive exhibit No. 856.

6 (Whereupon, the document above referred
7 to was marked prosecution's exhibit No. 856 and
8 received in evidence.)

9 BRIGADIER QUILLIAM: Will you please continue,
10 Mr. Liebert?

11 THE WITNESS: I will read that document:

12 "June 23, 1938. Re Positive Enforcement of
13 the Urgent Measures Vital to the General Mobilization.

14 "CABINET KAKU KO NO. 141. From KAZAMI, Akira,
15 Chief Secretary of Cabinet; Your Excellency, ITAGAKI,
16 Seishiro, War Minister. Information by Order.

17 "About the prosecution of urgent policies
18 vital to the general mobilization, the cabinet con-
19 ference has passed a decision as per enclosure.
20 War Ministry Received. S E C R E T

21 Ichi No. 3090. (Enclosure).

22 "Re Positive Enforcement of the Urgent Measures
23 Vital to the General Mobilization.

24 "The Chinese Incident has now made a great ad-
25 vance in the tide of war with the fall of Hsuehow.

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1 However, the future of the war is still far and our
2 people should face it with resolve, and with our per-
3 severing mind harden.

4 "The cabinet has just opened a meeting on
5 General mobilization, which deliberated on enforcement
6 of the general mobilization by acquiring the reports
7 from all ministries. Judging from the result of that
8 meeting, the plan of the mobilization of commodities
9 for 1938 (13th year of Showa) decided before, has be-
10 come difficult to realize because of the extremely un-
11 favorable foreign trade balance owing to the decrease
12 in export and other reasons.

13 "If we should patch up affairs and put off
14 from day to day under such a circumstance, we should
15 have a great obstacle to meet the military demand and
16 to attain an expansion of productive power vital to
17 the circumstance. So we fear a grave consequence to
18 occur. Therefore, at this time the government intends,
19 with a great decision, to concentrate various institu-
20 tions upon execution of war aims, deepen the under-
21 standing of officials and civilians as to the tension
22 of the situation to issue a statement in order to urge
23 a great resolve of the people to meet it. At the same
24 time, to exclude firmly all obstacles and enforce the
25 following policies urgent and vital to the existence
of our nation."

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1 "(1) In order to maintain the stability of
2 exchange rates, to keep supply of munitions, promote
3 exports and support livelihood of the nation (consumers),
4 we will take necessary measures, in particular, to
5 restrain the rise of prices above the present level,
6 and at the same time work out a scale of basic prices
7 or official prices and furthermore will take steps to
8 lower the current prices by strengthening both saving
9 in the consumption and also by control of rations.

10 "(2) With respect to general commodities,
11 we will make every effort to economize in consumption.
12 Especially, in regard to imported commodities, by the
13 way of restriction of consumption as occasion demands,
14 by setting up a rule of restriction or prohibition, we
15 will enforce a compulsory use of substitutes among the
16 nation and strengthen thoroughly to minimize consump-
17 tion of commodities for non-urgent purposes.

18 "(3) To promote exports, under synthetic
19 plan, we will strengthen the general promotion policy
20 of export. Further,

21 "(a) We will arrange to bring about a unified
22 foreign trade administrative function.

23 "(b) By such a way as linking exports of
24 finished manufactures and imports of materials thereof,
25 we will try to ensure importation of materials destined

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1 to ultimate export.

2 "(c) As to imported materials we will divide
3 them into materials for domestic consumption and ma-
4 terials for export and any materials for export shall
5 be thoroughly prevented from being switched over to
6 the domestic consumption.

7 "(d) In order to check the tendency of boy-
8 cott of Japanese goods in foreign countries, special
9 measures will be taken.

10 "(e) In regard to the granting of subsidies
11 for the specially designated goods and to the reshuffle
12 of civilian trade organizations, a thorough and drastic
13 measure will be taken.

14 "(4) About goods of prime importance, an ap-
15 propriate organization of import and ration will
16 promptly be set up.

17 "(5) A mobilization of our funds in foreign
18 countries in order to replenish the foreign exchange
19 funds.

20 "(6) We will make efforts to control and
21 rationalize war profits.

22 "(7) Planning a spread and thoroughness of
23 savings.

24 "(8) To make a simple style of national
25 living at the emergency we will run a national movement

LIEBERT

DIRECT

1 and at the same time the government also will take
2 necessary measures so that the government officials
3 will set a standard to be followed by the people.

4 "(9) A thorough measure will be executed
5 for increased production of major types of goods,
6 especially for increase of mineral production.

7 "(10) In order to promote an industrial
8 capacity for production of munitions, we will take nec-
9 essary measures about adoption of shift system and an
10 urgent employment of technicians and other laborers.

11 "(11) Instructing and making use of a na-
12 tional movement and forming a necessary organization
13 about collection of waste materials.

14 "(12) Measures necessary for conversion and
15 its results, measures for relief of unemployment
16 should be executed.

17 "(13) The policies set forth in the fore-
18 going articles shall promptly be executed by every
19 ministry concerned. For this purpose, if necessary,
20 a part of the articles in the law of general mobiliza-
21 tion should be put into action."
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23
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1 A second communication between the same
2 officials on 23 June 1938 (IPS document 9017A) out-
3 lines the type of revision deemed necessary by the
4 Cabinet to achieve the national plan.

5 BRIGADIER QUILLIAM: May it please the Tribunal,
6 I offer in evidence IPS document No. 9017A.

7 THE PRESIDENT: Admitted on the usual terms.

8 CLERK OF THE COURT: Prosecution's document
9 No. 9017A will receive exhibit No. 857.

10 (Whereupon, the document above referred
11 to was marked prosecution's exhibit No. 857 and
12 received in evidence.)

13 THE PRESIDENT: It is a very lengthy document,
14 containing, no doubt, a number of details that won't
15 help us.

16 BRIGADIER QUILLIAM: May it please your
17 Honor, it is regarded as a very important document
18 in this connection and I think possibly would be
19 better appreciated if read as a whole than if sum-
20 marized.

21 THE PRESIDENT: Well, we will take your word
22 for it, Brigadier. You have read it.

23 BRIGADIER QUILLIAM: Will you please con-
24 tinue with the reading.

25 THE WITNESS: I will read that document:

1 "Notification in compliance with orders. Sub-
2 ject: regarding revision of the plan for regulating
3 the supply and demand of essential materials for Showa
4 13 (1938) has been decided at the cabinet meeting as
5 follows:

6 "Revision of the plan for regulating the supply
7 and demand of essential materials during Showa 13
8 (1938). In the plan for regulating the supply and
9 demand of essential materials during Showa 13, (1938)
10 which was decided at the cabinet meeting of 18 January,
11 it was decided that imports shall be 3,000,000,000 yen
12 and the total sum of imported materials shall be
13 3,000,000,000 yen by decreasing both military and
14 domestic demands (excluding Manchuria and Kwantung
15 province).

16 "On the contrary, since the beginning of this
17 year, the export results have been continuously very
18 inactive. And in comparison with the plan, the results
19 of the first quarter of the year decreased by about
20 27%, and moreover as the trade of North and Central
21 China is included, the rate of decrease will be more
22 outstanding and will drop to about 33% when that is
23 excluded. (In comparison with the results of last year,
24 a decrease of 32.8%). If this tendency is left alone,
25 exports most probably will not exceed 1,700,000,000

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1 yen no matter what efforts are made to increase exports.
2 (Excluding Manchuria, Kwantung province, North and Central
3 China). Supposing that the new products of gold,
4 excess in invisible exports, etc., are realized as
5 prearranged, the import capacity will be about
6 2,100,000,000 yen, but according to the results up
7 till now, contrary to that anticipated, invisible
8 imports exceeded that of exports. Therefore, it is
9 rather exaggerated to estimate the maximum of import
10 capacity at 2,100,000,000 yen. Consequently, although
11 there is no way but to cut down the amount of demand
12 with all efforts by fundamentally revising the first
13 plan of regulating supply and demand, the demand for
14 war munitions as a result of operations to arm and
15 replemish the mobilized force cannot be fulfilled by
16 the primary demand amount. For, rather, war munitions
17 demand is increasing. Therefore, in order to regulate
18 these two cross-demands, there is no other way than
19 to strictly control the supply and demand in the home
20 land, and at the same time endeavor to check the in-
21 creasing war munitions demand.

22 "As to home demand, other than the following
23 imports, as a principle, shall not be recognized.

24 "1. Those to be allotted for military demands
25 and raw materials, materials, machine tools, fuel, etc.

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1 which are necessary for production and supply of war
2 munitions.

3 "2. Raw materials and materials for exports.

4 "3. The minimum amount of medicine, fertilizer,
5 etc., which are absolutely necessary for the maintenance
6 of the nation's livelihood.

7 "4. The minimum amount of articles which
8 are necessary for barter trade.

9 "Although a plan for decrease of trade has
10 been established, and at the same time, in regards to
11 munitions, methods to actively utilize substitute
12 materials spontaneously, to appropriate stored goods
13 to mitigate the standard of supplied goods, to call in
14 unnecessary office articles, have been considered, still
15 a total of over 2,730,000,000 yen, including over
16 130,000,000 yen import from North and Central China,
17 of imports of which Home demand over 1,981,000,000,
18 Army and Navy over 749,000,000, is found necessary.
19 However, in order to supply this sum of imports, it
20 will be necessary to spend the greater part of the
21 reserved fund. In this way, in the case of an emer-
22 gency and the situation becomes worse, it is very
23 difficult to procure arms and other necessary articles
24 because of a lack of capital to procure them. So we
25 have to study the decreasement policy for the amount

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1 of demand in the home land, and plan on following
2 points to postpone the use of the special conserved
3 oil --"

4 THE PRESIDENT: I understand the IBM is not
5 working.

6 MARSHAL OF THE COURT: There is a power failure,
7 Mr. President. We will have the emergency power on
8 in about three or four minutes, sir.

9 (Whereupon, a short recess was taken,
10 after which the proceedings were resumed as
11 follows:)

12 THE PRESIDENT: The court reporter will read
13 the last words.

14 (Whereupon, the official court reporter
15 read as follows: "So we have to study the decrease-
16 ment policy for the amount of demand in the home
17 land, and plan on following points, to postpone
18 the use of the special conserved oil --")

19 THE PRESIDENT: I understand the IBM isn't
20 working satisfactorily. At least, some of my colleagues
21 cannot hear distinctly.

22 It appears to be all right now.

23 THE WITNESS: (Reading)

24 " -- to postpone the use of the special con-
25 served oil and the compulsory conserved oil, to

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1 partially postpone the term of executing bartering
2 contracts, to postpone the production of a part of the
3 machines which are necessary for the development of the
4 strength of production, and to call in materials in the
5 home land.

6 "After considering these measures the total
7 sum of domestic demands which is necessary to be im-
8 ported was decided at about 1,810,000,000 yen. Con-
9 sequently the total sum of imports is estimated at
10 about 2,550,000,000 yen in which it is expected that
11 the sum of imports from Central and North China will
12 amount to about 130,000,000 yen and most of them will
13 be imported regardless of exchange relations. If so,
14 the total sum of imports will be estimated at over
15 2,420,000,000 yen, and we shall be able to overcome
16 this year's crisis.

17 "In order to keep the sum of imports of the
18 domestic demands within the above said amount, it is
19 necessary to carry out a strict control policy regard-
20 ing the use of articles in the latter half of the year.
21 Moreover, concurrently many social problems and those
22 of compensation resulting from the breach of contracts
23 must be anticipated."

24 THE PRESIDENT: The IBM isn't working; at
25 least my section isn't. Try it again.

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THE WITNESS: (Continuing)

"Therefore, in order to relieve those problems, disbursement of new expenditures and other necessary measures shall be taken. In consideration of the above mentioned situation, the most important task at present is to realize the following items which have been decided as quickly as possible.

"1. The total sum of imports shall be about 2,550,000,000 yen (about 2,420,000,000 yen excluding Central and North China). Revise the table of contrast of supply and demand and repleishment measures of essential materials (materials' mobilization No. A004) which is contained in the attached document regarding the plan of maintenance of supply of essential materials, that was decided at the cabinet meeting on 18 January, according to the attached document (materials' mobilization No. A008). Furthermore, the detailed amendments of the supply and demand plan as a problem of execution shall be managed within the limits of the total amount of imports, but in case of requiring more imports of raw materials than the pre-arranged plan on account of an increase of exports, the amount of imports will be adjusted and adapted separately through the consultation of the ministries concerned regardless of the above said total amount of

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1 imports.

2 "2. In order to carry out the revised supply
3 and demand plan, each government office shall put into
4 practice, as soon as possible, urgent policies regarding
5 national mobilization as well as adopt measures con-
6 cerning the control of the use of imports in the home
7 land in accordance with the attached sheet No. 1.

8 "3. Take measures concerning disbursement of
9 expenditure and other necessary measures for the vari-
10 ous kinds of compensation problems and unemployment
11 relief which occur as a result of the control of the
12 use of the materials.

13 "4. As to the materials imported according
14 to the revised supply and demand plan, the same shall
15 be managed as quickly as possible by the Materials
16 Adjustment Bureau of the Commerce and Industry Ministry
17 (those not under the jurisdiction of this Bureau by
18 the competent government office) upon communicating
19 with the Exchange Board.

20 "The attached document (Materials' Mobiliza-
21 tion No. A008) will be sent later from the Cabinet
22 Planning Board.

23 "(Attached Sheet No. 1)

24 "Main controlled and prohibited items required
25 to be carried out in connection with the use of

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1 materials in the latter half of this year in order to
2 execute the present supply and demand plan except mater-
3 ials for the military.

4 "1. Suspension of construction works which
5 are not immediately necessary for the war, and even
6 those which are at present under construction.

7 "a. Suspension of new construction and re-
8 construction of government public and business offices
9 and schools.

10 "b. Suspension of works of the International
11 Exhibition and the Olympics. Excluded.

12 "c. Suspension of large-scale construction
13 of department stores, hotels and other big buildings
14 for the purpose of commerce and business, and to control
15 new construction of houses.

16 "d. Suspension and postponement of unurgent
17 construction works.

18 "2. Suspension and postponement of rail track
19 work. Suspension and postponement of railway construc-
20 tion and reconstruction except works which need in-
21 creasement of transport capacity for military use and
22 national mobilization.

23 "3. Partial suspension and postponement of
24 construction of ships.

25 "4. Suspension of construction of electric

1 light, electric heat, telephone, gas and water service
2 except those which are necessary for military use and
3 general mobilization.

4 "5. Postponement of the use of the special-
5 conserved oil and the compulsory conserved oil.

6 "6. Enforcement of prohibitive control on
7 articles of domestic demands made from materials which
8 have to be imported.

9 "a. Prohibition of spinning and weaving of
10 cotton except for such special articles as munitions,
11 exports, sails, sewing thread, and articles which are
12 used for industrial and hygienic purposes. Enforce-
13 ment of export control on cotton thread and cloth to
14 outer Japan, Manchukuo and North and Central China.

15 "b. Strict control on the manufacture of
16 woolen articles for domestic demands and for export of
17 the same to Manchukuo and Kwantung province. Prohibition
18 of manufacturing cloth of yellow hemp used for packing
19 in the home land. Prohibition of manufacturing ordin-
20 ary paper made of Manila-hemp. Prohibition of manu-
21 facturing cloth and other domestic articles which are
22 made of linen, ramie or hemp.

23 "c. Prohibition of manufacturing bags,
24 shoes and other articles of domestic demand which are
25 made of cowhide, household appliances, daily

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1 necessaries which need copper, brass, lead, antimony,
2 etc., and rubber shoes and other ordinary articles of
3 domestic demands which need raw gum. Control of manu-
4 facturing ordinary paper.

5 "d. Prohibitive restriction on articles of
6 domestic demand other than those mentioned above and
7 which require imported materials for their manufacture.

8 "7. Execution of thorough readjustment of
9 communication system by the suspension of the service
10 of more than half of all automobiles, abolishment of
11 lines parallel with railways, competing lines and the
12 sightseeing buses.

13 "8. Prohibitive restriction of use of petro-
14 leum by fishing boats fishing along the coast. Re-
15 striction of service of ships using heavy oil and
16 plowing the rivers and coastal sea. Prohibitive restric-
17 tion of use of heavy oil and volatile oil to works which
18 are not necessary for either the military or the general
19 mobilization point of view.

20 "9. Strict restriction on use of imported
21 fertilizer.

22 "10. Restriction of the use of electric
23 power.

24 "Offices concerned shall mutually consult as
25 to the execution of the above matters."

LIEBERT

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1 THE PRESIDENT: It is noon, according to my
2 time. We will adjourn now until half past one.
3 (Whereupon, at 1200, a recess was taken.)
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AFTERNOON SESSION

The Tribunal met, pursuant to recess, at 1330.

MARSHAL OF THE COURT; The International Military Tribunal for the Far East is now resumed.

JOHN GRANVILLE LIEBERT, called as a witness on behalf of the prosecution, resumed the stand and testified as follows:

DIRECT EXAMINATION (Continued)

BY BRIGADIER QUILLIAM:

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please the Tribunal, I ask the witness to continue reading from paragraph 130 on page 99.

THE WITNESS:

"130. The Japanese Government attempted to solve this import-export dilemma by resorting to the mechanism of linking purchases of foreign exchange for the imports of certain raw materials to sales realized by exporting the finished product made from the same materials. The so-called 'link' system worked in this fashion. In order to import cotton, for example, it was necessary to give assurance that an equivalent amount of cotton textiles would be exported

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AFTERNOON SESSION

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2 1330.
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4 MARSHAL OF THE COURT: The International
5 Military Tribunal for the Far East is now resumed.

6 THE PRESIDENT: Brigadier Quilliam.

7 BRIGADIER QUILLIAM: May it please the Tribu-
8 nal, I ask the witness to continue reading from
9 paragraph 130 on page 99.

10 THE WITNESS:

11 "130. The Japanese Government attempted to
12 solve this import-export dilemma by resorting to the
13 mechanism of linking purchases of foreign exchange
14 for the imports of certain raw materials to sales re-
15 alized by exporting the finished product made from the
16 same materials. The so-called 'link' system worked
17 in this fashion. In order to import cotton, for ex-
18 ample, it was necessary to give assurance that an
19 equivalent amount of cotton textiles would be exported
20 within a specified period. There were, of course,
21 many kinds of combinations, or links, of commodities.
22 The import of tallow was linked to the export of
23 soap; bristles and ebony to brushes; wood pulp to
24 staple fibres; Manila hemp to Japanese style paper;
25 carpet wool and hair to rugs, etc. The basic prin-

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DIRECT

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2 many kinds of combinations, or links, of commodities.
3 The import of tallow was linked to the export of
4 soap; bristles and ebony to brushes; wood pulp to
5 staple fibres; Manila hemp to Japanese style paper;
6 carpet wool and hair to rugs, etc. The basic prin-
7 ciple involved was to keep exports moving to produce
8 exchange without cutting into foreign exchange avail-
9 able and allocated for import of war materials. These
10 sorts of operations demanded limits and curtailment
11 of industries not involved in such transactions as
12 well as a complete control of the whole. The 'link'
13 system first received general recognition in 1938
14 when it was applied to approximately 30% of Japan's
15 total exports. In addition to the 'link' system,
16 other efforts of a more orthodox character were made
17 to stimulate foreign trade such as, advertising,
18 market surveys, commissions, etc.

19
20 "131. The annual foreign trade reports
21 between 1935 and 1941 show ever-increasing export
22 and ever-decreasing import trade between Japan and
23 the areas comprised in Korea, Formosa, Kwantung,
24 Manchuria and China. The following table shows the
25 amounts and percentage of this trade shift."

LIEBERT

DIRECT

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17 Manchuria and China. The following table shows the
18 amounts and percentage of this trade shift."
19
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LIEBERT

DIRECT

I will read the year and the percentages.

"Exports of Japan.

"Year 1935, to Korea, Formosa, Kwantung,
Manchuria and China, 40.4 per cent.

"1935, 40.4 per cent.

"1936, 42.3 per cent.

"1937, 42.4 per cent.

"1938, 61.1 per cent.

"1939, 64.3 per cent.

"1940, 63.9 per cent. This does not include
Formosa.

"1941, 62.4 per cent. This does not include
Formosa and Korea.

"Imports of Japan, from the same areas, by
percentages.

"1935, 34.8 per cent.

"1936, 34.6 per cent.

"1937, 27.3 per cent.

"1938, 44.3 per cent.

"1939, 45.9 per cent.

"1940, 35.3 per cent, not including Formosa.

"1941, 29.4 per cent, not including Formosa
and Korea.

"Because of this shift in foreign trade bal-
ances, exports to yen bloc areas were eliminated from
the 'link' system. This was done because such trade

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DIRECT

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11 Formosa.
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13 Formosa and Korea.
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15 percentages.
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22 "1941, 29.4 per cent, not including Formosa
23 and Korea.
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25 ances, exports to yen bloc areas were eliminated from
the 'link' system. This was done because such trade

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1 produced no excess foreign exchange to support pur-
2 chases from requiring payment in foreign exchange. To
3 effect restriction of exports in the yen bloc areas
4 which might otherwise be used to acquire foreign ex-
5 change from other countries, Ordinance No. 53 of Septem-
6 ber 20, 1939, was passed. This ordinance provided that
7 certain designated commodities were not to be exported
8 to yen bloc areas without approval of the export associ-
9 ations. The commodities included drugs, paper, glass,
10 paint, toys, and similar items. It is to be noted that
11 these items were not produced from the class of raw
12 materials constituting major Japanese imports. These
13 were items, which when sold on the open market, pro-
14 duced the maximum of exchange.

15 "GOLD PRODUCTION

16 "132. The excess of imports over exports
17 during the early months of 1937 was 126% greater than
18 the excess for the first six months of 1936. In order
19 to pay for these imports the Bank of Japan, in March,
20 1937, began shipping gold in payment of goods. Some
21 indications of the important role played by gold in
22 the financing of Japan's imports may be gauged by the
23 fact that her gold sales to the United States Treasury
24 alone from 1937 to June, 1941, totalled \$580,000,000,
25 or 2,160,000,000 yen, at prevailing market rates. The

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1 necessity for stimulating the production of gold be-
2 came at once apparent. In the Resume of Policy
3 Relating to Execution of Summary of Five-Year Program
4 of Important Industries (Part II of Exhibit 842),
5 dated 10 June 1937, the Government further anticipated
6 unfavorable balances of trade. At Section II, page 6,
7 of the aforementioned Resume the table entitled
8 Estimates of International Receipts and Payments,
9 Japan and Manchuria considered as one Unit *** shows
10 that for the years 1937 to 1941 it was estimated that
11 there would be an excess of imports amounting to
12 1,530,000,000 yen. This estimate called for action
13 on the part of the Government to do something about
14 the gold supply in relation to managements of foreign
15 trade. On August 10, 1937, a number of measures per-
16 taining to gold were passed by the Diet. The most
17 important of these measures were The Gold Reserve
18 Revaluation Law, The Gold Fund Special Account Law
19 and The Gold Production Law.
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1 "133. The Gold Reserve Revaluation Law
2 confirmed the suspension of the obligation of the
3 Bank of Japan to convert bank notes into gold coins.
4 It also concentrated the gold reserves of the Bank
5 of Chosen and the Bank of Taiwan with the Bank of
6 Japan, and re-valued the total gold stock. Re-
7 duction in the gold content of the yen increased
8 the face value of the total gold stock from
9 472,000,000 yen to 1,219,000,000 yen. The Gold
10 Fund Special Account Law established a special
11 gold account using the gross profit of 747,000,000
12 yen accruing to the Government by the above mentioned
13 revaluation processes as its basis. The purpose
14 of this gold fund special account was to provide
15 funds with which to purchase gold and silver at
16 home and abroad, and from which to make disburse-
17 ments of gold for special purposes.

18
19 "134. The Gold Production Law of August
20 10, 1937, had as its purpose the stimulation of gold
21 mining and the production of gold. By its provisions
22 the government was empowered to order improvements
23 and expansions of mines and the mechanisms for
24 handling gold, to control prices, to restrict
25 consumption and to grant subsidies. Under the
Law these persons engaging in the mining of gold

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1 were exempted from the payment of import duties
2 on machinery and other necessary equipments to
3 increase production. It also provided for the
4 establishment of a national policy company called
5 the Japan Gold Production Enterprise Company. This
6 Company was formed on September 16, 1938, for the
7 purpose of developing the production of gold within
8 Japan and the Empire. One-half of the original
9 capitalization of 50 million yen was provided
10 by the government. The Company was to be exempted
11 from income, profits and local taxes for ten years.
12 The government guaranteed 4% dividend on the Company's
13 shares for a period of five years, and it was
14 further provided that the Company was to be com-
15 pensated for any losses on loans made to private
16 mining companies up to the limit of 11 million
17 yen. This national policy company took over from
18 the Oriental Development Company and the Industrial
19 Bank of Korea, the operation and control of about
20 100 medium and small size gold mines in Korea alone
21 for exploitation purposes.

22 "135. So important was gold, for foreign
23 exchange, that the Outline of the Plan for the
24 Expansion of Productive Power by the Board of
25 Planning (Part II of exhibit 842) scheduled

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1 expansion in the production of gold from 51,669
2 kilograms in 1938 to 106,534 kilograms in 1941.
3 Gold production was given all possible encourage-
4 ment by the government. The Ministry of Commerce
5 and Industry alone paid the following bounties:

6	"1937	302,840 Yen
7	1938	2,401,105 Yen
8	1939	2,488,110 Yen
9	1940	4,541,510 Yen
10	1941	4,342,500 Yen

11 This was in addition to other bounties provided
12 for mineral prospecting generally. The gold pur-
13 chase premium system was adopted in November, 1939,
14 whereby mine operators would receive a premium
15 of one yen per gram for any increase over the
16 mine's previous output and a premium of two yen
17 per gram for any increase over a quota established
18 by the Ministry of Finance.

19 "136. Every effort was made by Japan to
20 acquire all the gold bullion, ornaments, jewelry,
21 etc., held by individuals and private institutions.
22 An amendment to the Gold Production Law, passed in
23 March, 1939, authorized the compulsory purchase of
24 all gold by the government. This, of course, had
25 the effect of throwing all gold and gold articles

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1 in Japan into the hands of the government where
2 it could be used for the very essential foreign
3 exchange. The following table marked 'Gold Pro-
4 duction in Japanese Empire' shows the gold pro-
5 duction in the Empire of Japan from the years
6 1925 to 1941. The chart marked 'Gold Production
7 in Japanese Empire' graphically illustrates the
8 production table.

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1 "Gold Production in Japanese Empire, 1925-1941,
2 in kilograms.

3 "Year 1925, Empire, including Home Islands,
4 13,397 kilograms.

5 "In 1941, 51,810 kilograms."

6 BRIGADIER QUILLIAM: May it please the
7 Tribunal, I offer in evidence the original of the
8 chart on page 106-A, which is IPS document 9030-106A.

9 THE PRESIDENT: Admitted on the usual terms.

10 CLERK OF THE COURT: Prosecution's document
11 No. 9030-106A will receive exhibit No. 858.

12 (Whereupon, the document above
13 referred to was marked prosecution's exhibit
14 No. 858, and was received in evidence.)

15 THE WITNESS: "Government Internal Financial
16 Policy, Direct and Indirect Financing.

17 "137. Adequate financing is an essential to
18 a program of industrial development as the securing of
19 necessary raw materials. The necessity for financing
20 the expansion of industry to achieve national self-
21 sufficiency in the production of war materials was
22 not overlooked in the programme. I will read the fol-
23 lowing excerpt from the 'Resume of Policy Relating to
24 Execution of Summary of Five-Year Program of Important
25 Industries,' dated 10 June 1937 (Part II of exhibit 842):

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1 "(a) Page 3, commencing Paragraph A to
2 Paragraph L, inclusive, page 5.

3 "(b) Pages 24-26 inclusive, Section IX.

4 "'Herewith, several financial policies
5 essential for carrying out this plan, are set forth.

6 "'A. In order to facilitate supply of funds
7 essential to the construction to accompany the fulfil-
8 ment of this plan, the basic principle for guiding
9 finance shall be carried out smoothly by the positive
10 and voluntary cooperation of the existing banking
11 organs.

12 "'B. However, with a view to avoiding various
13 obstructions liable to be met with in the money market,
14 necessary and appropriate control is to be exercised.

15 "'The prime object of this control may be
16 summarized as follows:

17 "'To facilitate raising of necessary funds
18 for this plan.

19 "'To contrive to increase positively new
20 savings, which are the sources for the supply of funds.

21 "'To adjust the investment of capitals and to
22 prevent double investment.

23 "'To firmly maintain the proper and relevant
24 policy in respect to rate of interest.

25 "'C. Several concrete measures essential for

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1 the above purposes, may be stated as follows:

2 "(1) Measures for facilitating raising of
3 funds.

4 "(a) To amend the Bank of Japan Act and
5 have the bank administrate the finance of the basic
6 industries.

7 "(b) To grant this bank the controlling
8 and supervisory powers over various banking organs.

9 "(c) To amend the Industrial Bank of Japan
10 Act and extend the legal limit of issuance of debentures by 15 times the present system. For this end,
11 necessary increase of capital shall be made by means of
12 Government investment.

13 "(d) To grant this bank monopoly power over
14 issue and trust of public bonds and debentures and to
15 have it exercise control over the loan market.

16 "(e) To revise the system of real rights
17 granted by way of security.

18 "(f) To extend the financing of industries
19 by the funds of Deposit Section /of Finance Ministry/
20 and Post Office Insurance.

21 "(2) Measures for increasing savings.

22 "(a) To open a national movement for practi-
23 cing economy of consumption and thrift and saving.

24 "(b) To lower the minimum limit of postal
25

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savings (from 10 sen to 5 sen).

1 "(c) To start house-to-house collection
2 system of postal savings (similar to post office
3 insurance).

4 "(3) Measures for adjusting investment of
5 capital.

6 "(a) To suppress fresh investment in non-
7 urgent and non-essential enterprises.

8 "(b) To have the Bank of Japan supervise
9 and guide the employment of capital by the various
10 banking organs.

11 "(c) To restrain double investment.

12 "(4) Measure for interest rate.

13 "(a) To firmly maintain the general low
14 money rate policy.

15 "(b) To exercise control over the rate of
16 interest of public bonds and debentures by unified
17 acceptance of public bonds and debentures by the
18 Industrial Bank of Japan.

19 "(c) To make an adjustment of long-term
20 interest and of interest on public loan bonds.

21 "(d) To regulate employment of funds of
22 the Deposit Section, for the purpose of suppressing
23 sudden rise of money rates.

24 "(e) To accelerate the amalgamation and
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1 rationalization of the various banking organs with a
2 view to lowering the cost of raising funds to the
3 utmost.

4 "D. To carry out a sound currency policy
5 and to manage the money market properly and oppor-
6 tunely under the control of the Central Bank.'

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1 " Pages 24-26 inclusive, Section IX:

2 "'Financial Policy.

3 "'The success or failure of this pro-
4 gram is doubtless solely dependent upon the
5 Government's consistent and firm guidance under the
6 national policy. The Government should support
7 various industries with all possible means from the
8 standpoint of strengthening the nation's power
9 and it is especially of vital necessity that
10 measures for financial aid should be taken by our
11 Government.

12 "'The assumed amount requisite for
13 the financial aid to be executed by the Government
14 for achievement of this program is as follows: (As
15 to outline of the items of account, see attached
16 table No. 4).

17 "'Unit, one million yen. Items: Amount of
18 Subsidy for Construction of Projected Industries:

19 1937 - 30,000,000 yen; 1938 - 146,000,000 yen;
20 1939 - 261,000,000 yen; 1940 - 278,000,000 yen;
21 1941 - 289,000,000 yen. Total, 1,400,000,000 yen.

22 "'Amount of Subsidy Incidental to Execution
23 of this Program:

24 1937 - 27,000,000 yen; 1938 - 82,000,000 yen;
25 1939 - 59,000,000 yen; 1940 - 55,000,000 yen; 1941 -

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1 49,000,000 yen. Total; 272,000,000 yen, or a total
2 of amount of subsidies of 1,276,000,000 yen.

3 "The estimate of the future annual ex-
4 penditure of our Empire for the purpose of realiza-
5 tion of repletion of the nation's strength and
6 completion of the national defense (i.e. amount of
7 the future annual expenditure having as an object
8 the execution of this program) is approximately as
9 in the chart below and the foregoing subsidies are
10 to be included in the amount of annual expenditure.

11 "Unit, one million yen. Classification:
12 Total Amount of Estimated Annual Expenditure
13 (Assumed): 1937 - 2,945,000,000 yen; 1938 -
14 3,571,000,000 yen; 1939 - 3,900,000,000 yen; 1940 -
15 4,200,000,000 yen; 1941 - 4,300,000,000 yen. A
16 total of 18,843,000,000 yen.

17 "Increase as against 1937." "I will read the
18 total: 4,263,000,000 yen.

19 "NOTE: (a) Represents the requisite
20 amount as the secondary additional estimate for
21 1937 following execution of this program and is
22 included in 2,945 million yen.

23 "The counter-plan for the above purposes
24 will be:
25

"1. Estimates for the annual revenue

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1 corresponding to the above quoted expenditure shall
2 be dealt with in the following manner:

3 "Unit, one million yen. Classification:
4 Fundamental Revenue: 1937 - 1,600,000,000 yen"
5 1938 - 1939 - 1940 and 1941 are the same for funda-
6 mental revenue. Total 8,000,000,000 yen.

7 "Natural Increase & Increased or New
8 Taxes: 1937 - 400,000,000 yen; 1938 - 784,000,000
9 yen; 1939 - 903,000,000 yen; 1940 - 1,073,000,000
10 yen; 1941 - 1,211,000,000 yen." Or a total
11 natural increase and increased or new taxes of
12 4,371,000,000 yen.

13 "Increase Transferred from Specific
14 Account: Total 368,000,000 yen.

15 "National Loan Bond: Total 6,177,000,000
16 yen." Or a grand total of 18,916,000,000.

17 "Amount of Increase as Against 1937:
18 4,263,000,000 yen.

19 "2. It is necessary for the Government,
20 not only to carry out all possible synthetic
21 measures to improve the financial situation regard-
22 ing circulation of money, consumption and all the
23 matters concerned with the people's subsistence, but
24 also to take the following important steps for the
25 purpose of successful accomplishment of the above

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1 financial policy.

2 "(1) To intensify the control of
3 budget. To concentrate the annual expenditure on
4 fostering and achievement of the execution of this
5 program and to thoroughly cut down non-urgent and
6 non-important expenditures.

7 "(2) In conjunction with the advancement
8 of producing capacity and increase of the people's
9 income, to contrive fundamental rationalization of
10 the taxation system, etc., in order to increase the
11 running revenue of the nation.

12 "(3) To strive all the more for drawing
13 the military expenditure into industrial branches.

14 "(4) To stimulate the profits of heavy
15 industries to be participated in by the agricul-
16 tural and fishing districts.

17 "(5) To firmly establish the national
18 loan bond policy in conjunction with the financial
19 policy.

20 "(6) To enforce administrative and
21 financial re-adjustment with a view to promoting
22 efficiency of the Government and public officials.'

23 "138. An attempt was made to estimate the
24 amount of funds necessary to construct the facili-
25 ties to carry out the expansion program of important

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1 industries. This estimate is set forth in detail
2 in Table No. 3, appended to the aforementioned
3 Resume. In brief, the Table classifies the indus-
4 tries to be expanded in Japan and Manchuria, and
5 shows the amount of funds estimated to be required
6 in each area for the classified industries. The
7 industries included are, of course, the same as
8 those which appear in the preceding sections of the
9 Document. It is anticipated in the Program that it
10 would be necessary to expend 6,092,000,000 yen in
11 Japan and 2,444,000,000 yen in Manchuria. It being
12 apparent that it was necessary for the Government to
13 participate directly in furnishing funds for the
14 financing of industrial expansion, the War Office
15 estimated a schedule of over-all direct and in-
16 direct subsidies for industries. This schedule is
17 shown as Table No. 4 (I) appended to Part II of
18 exhibit No. 842. I will read that table together
19 with Table No. 4 (II), likewise appended to the
20 Document which is an estimate of subsidies for col-
21 lateral enterprises to show the extent of planned
22 government subsidies for war production purposes.'

23 "Table No. 4 - 1. Estimates of Direct &
24 Indirect Subsidies of Japanese Government for Indus-
25 tries Projected by This Program.'"

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1 THE PRESIDENT: The chart ought to be suf-
2 ficient, I think. We hardly need a dissection.

3 BRIGADIER QUILLIAM: Does your Honor sug-
4 gest that these should not be read at all?

5 THE PRESIDENT: I do not know how my col-
6 leagues feel about it, but I do not believe that
7 anybody requires the dissection that appears here.

8 BRIGADIER QUILLIAM: They have got to be
9 read in full or not at all.

10 THE PRESIDENT: But the totals should be
11 enlightening.

12 BRIGADIER QUILLIAM: I will ask the wit-
13 ness to give the totals, sir.

14 THE WITNESS: The total is, aggregate,
15 1,003,198,000 yen, estimates of direct and indirect
16 subsidies of Japanese Government for industries pro-
17 jected by this program.

18 BRIGADIER QUILLIAM: And Table 4 - 2.

19 THE WITNESS: "Table No. 4 - 2, Estimates
20 of Subsidies of Japanese Government for Collateral
21 Enterprises for Execution of This Program,
22 217,872,000 yen."

23 THE PRESIDENT: 271 million.

24 THE WITNESS: 271,872,000 yen.

25 It might be noted that the amounts shown

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1 in this table are not included in the amounts of
2 government investment described in the text of
3 financial policy.
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1 "139. The Government gave effect to this
2 subsidy program by providing for payment of subsidies
3 in certain cases as a matter of law hereinbefore cited.
4 While nearly every Ministry of the Japanese Government
5 granted subsidies for one purpose or another, the
6 records of subsidies paid are incomplete. Fairly ac-
7 curate records, however, were obtained from the
8 Ministry of Commerce and Industry covering the five
9 years immediately preceding the war which are as
10 follows:

11 "1937	10,607,706 Yen
12 1938	29,726,825 Yen
13 1939	51,536,684 Yen
14 1940	92,049,585 Yen
15 1941	207,353,194 Yen

16
17 "140. One of the favored means by which the
18 Japanese Government directly stimulated business in
19 accordance with national policy, when it was difficult
20 or inexpedient to induce investment by private enter-
21 prise, was through the medium of national policy
22 companies. National policy companies can be divided
23 into two types: (1) Those for the purpose of effecting
24 the exploitation or development of foreign territories;
25 (2) Those established for the purpose of entering into
business directly to develop a specific industry or

1 industries generally. The first type policy company
2 was described and listed hereinbefore at Paragraph
3 120, pages 90, 91, 92 and 93 of this statement. The
4 latter type of national policy company, established
5 for the purpose of developing specific industries,
6 is listed and described as follows:

7 "(1) The Japan Iron Manufacturing Company
8 was formed under the provisions of Law
9 No. 47, April 6, 1933, for the purpose
10 of developing the Japanese iron manu-
11 facturing industries. The production
12 of iron had been very small and un-
13 economic, and it was thought that one
14 strong company for the development of
15 iron and steel manufacturing enter-
16 prises at the direction of the Govern-
17 ment would greatly enhance the productive
18 capacity of Japan. Since its formation
19 the capitalization has been increased
20 four times from 350,000,000 to 8,000,
21 000,000 Yen.

22 "(2) The Japan Transportation Company was
23 formed pursuant to Law, October 1, 1937,
24 for the purpose of developing the trans-
25 portation facilities in Japan. It has

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1 an original capitalization of 35,000,
2 000 Yen.

3 "(3)

The Imperial Fuel Enterprises Company
4 was formed pursuant to law, January 19,
5 1938, for the purpose of developing
6 artificial petroleum. Original capi-
7 talization was 100,000,000 Yen.

8 "(4)

The Japan Electric Power Company was
9 formed April 1, 1939 for the purpose of
10 effecting a unity in the production and
11 distribution of electric power within
12 Japan proper. This company was given
13 monopolistic powers by law under the con-
14 trol of the Government. The capitaliza-
15 tion of the Japan Electric Power Company,
16 however, was provided by private sources.

17 "(5)

The Japan Rice Company was formed July 25,
18 1939, for the purpose of effecting a
19 monopoly in the purchase and sale of
20 rice. The Company had a capitalization
21 of 30,000,000 Yen and was one of the means
22 used to control the price of foodstuffs,
23 since rice constitutes the major item
24 of the Japanese diet.
25

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1 "(6) The Imperial Mines Development
2 company was formed pursuant to law,
3 August 10, 1939, for the purpose of
4 developing the mining industry of
5 Japan and the sale of the products
6 therefrom. Its original capitaliz-
7 ation was 30,000,000 Yen, but this
8 was increased later to 90,000,000
9 Yen. One of the prime functions
10 of this Company was to assist pri-
11 vate enterprise in developing the
12 natural resources of the country in
13 accordance with the national policy.

14 "(7) The Japan Aeronautics Company was
15 formed pursuant to law, August 31,
16 1939. It had control of all air-
17 plane travel both national and inter-
18 national.

19 "(8) The Imperial Petroleum Company was
20 formed September 1, 1941, with an
21 authorized capital of 100,000,000
22 Yen. The purpose of this Company
23 was to survey and develop oil fields,
24 both in Japan proper and in the dom-
25 inated territories, and to control

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1 the purchase and the sale of all
2 petroleum and oil products. This
3 Company was the effective Govern-
4 ment instrument for the complete
5 control of petroleum.

6 "(9) The Industrial Equipment Corporation
7 was organized pursuant to Law No. 92
8 of November 25, 1941, for the pur-
9 pose of equipping wartime industry
10 as determined by the Government.
11 All of the capitalization of 400,
12 000,000 Yen was furnished by the
13 Government. This was the effective
14 means by which the Government, in
15 its last stages of preparation for
16 war, utilized all machinery and
17 plant capacities in Japan in accord-
18 ance with national policy.

19 "The distinctive feature of all national pol-
20 icy companies is that (a) they were organized pursu-
21 ant to a special law for a stated government purpose;
22 (b) in all cases they are managed and directed by the
23 government; (c) in all cases the companies have very
24 broad powers of action within their respective fields
25 of endeavor; (d) the Government usually furnished

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1 50% of the capital; (e) the Government waives its
2 right to dividends when profits are short; (f) the
3 Government guarantees payment of debentures and in-
4 terest on loans; (g) in addition to special operat-
5 ing privileges the companies receive subsidies, grants
6 in aid, freedom from tax restrictions, and other
7 operating benefits. It is to be noted that of the
8 29 national policy companies cited and described in
9 this statement 22 of them were formed since 1933 for
10 the purpose of industrial production or control. Of
11 these 22 companies 13 of them were formed after the
12 China Incident and were specifically set up for war
13 production.

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1 "141. In addition to the money originally
2 advanced to the national policy companies in the
3 form of capital the Government guaranteed bonds as
4 a further financial assistance. The following table
5 indicates the ever increasing amounts of this kind
6 of obligation undertaken by the Japanese Government:

7 "1936 3,000,000 Yen

8 * * *

9 "1942 5,695,060,000 Yen."

10 THE PRESIDENT: They are not million. They
11 are not units of a million, are they?

12 THE WITNESS: No, sir; they are as stated.

13 THE PRESIDENT: I think the figures are
14 stated in extent of that table.

15 THE WITNESS: Stated in extent, yes, sir.

16 THE PRESIDENT: You had better read them again.

17 THE WITNESS: (Reading)

18 "1936 3,000,000 Yen

19 * * *

20 "1941" --

21 BRIGADIER QUILLIAM: I think his Honor
22 means year by year.

23 THE PRESIDENT: No, that is not so. Read
24 them all.

25 THE WITNESS: (Reading)

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1	"1936	3,000,000 Yen
2	1937	5,500,000 Yen
3	1938	211,000,000 Yen
4	1939	575,240,000 Yen
5	1940	1,762,090,000 Yen
6	1941	3,317,530,000 Yen
7	1942	5,695,060,000 Yen

8 "The guarantees represented by the above
 9 table do not include other types of guarantees such
 10 as the principal and interest on special debentures
 11 and the guarantee of dividends on stock, facts which
 12 considerably enlarge the scope of the Government's
 13 financial obligations. The emphasis which the
 14 Government placed upon financing the national policy
 15 companies by debenture issues is shown in the follow-
 16 ing table, compiled by the Industrial Bank of Japan,
 17 which indicates the ratio to total debenture issues
 18 by year of national policy companies and ordinary
 19 companies:

20		1937	1938	1939	1940	1941
21	Special Company					
22	Debentures	28.1	50.2	66.9	77.5	72.8
23	Ordinary Company					
24	Debentures	31.9	49.8	33.1	22.5	27.2

25 "142. It is notable that as the war
 preparations became more intense the amount of

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1 unsecured company debentures increased. The following
 2 table, compiled by the Industrial Bank of Japan,
 3 shows the amount by year of total company debentures
 4 issued with security and total company debentures
 5 issued without security:

	1937	1938	1939	1940	1941
6 "Company Debentures issued with Security (all companies)	49.2	45.1	38.7	27.0	30.2
8 "Company Debentures issued without Security (all companies)	50.8	54.9	61.3	73.0	69.8

10 "However, by far the greater portion of
 11 unsecured company debentures were issues of the national
 12 policy companies as shown in the following breakdown:

13 Percent of Non-Secured Company Debentures
 14 to total Debenture Issues," were as stated in the
 15 preceeding table. Of this amount the National
 16 Policy Company Non-Secured Debentures issues in 1937
 17 were 28.1, in 1941;69.6, whereas the Ordinary Company
 18 Non-Secured Debentures issues in 1937 were 22.7
 19 and decreased to .2 of the total in 1941.

20 "143. The three tables cited above which
 21 show the debenture issues between 1937 and 1941
 22 demonstrate:

23 "(a) That from 1937 onward by far the greater
 24 portion of total debenture issues were by national
 25 policy companies.

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1 "(b) That almost all the national policy
2 company debenture issues were without security.

3 "(c) That by guaranteeing the principal
4 and interest of debentures of national policy
5 companies, as provided by law, the Government became
6 the direct and principal financier for the expanding
7 operations of the national policy companies organized
8 for increasing war production and war production
9 potential.

10 "THE BUDGET FOR WAR AND NAVY

11 "144. A direct showing of financial prep-
12 arations for war is made in the yearly budget of the
13 Japanese Government for the War and Navy Ministries
14 (IPS Document 9023A)."

15 BRIGADIER QUILLIAM: May it please the
16 Tribunal, I offer in evidence IPS document No.
17 9023A.

18 THE PRESIDENT: Admitted on the usual terms.

19 CLERK OF THE COURT: Prosecution's document
20 No. 9023A will receive exhibit No. 859.

21 (Whereupon, the document above
22 referred to was marked prosecution's exhibit
23 No. 859 and was received in evidence.)

24 THE WITNESS: (Reading)

25 "Ordinarily the budgets of both Ministries

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1 "(b) That almost all the national policy
2 company debenture issues were without security.

3 "(c) That by guaranteeing the principal
4 and interest of debentures of national policy
5 companies, as provided by law, the Government became
6 the direct and principal financier for the expanding
7 operations of the national policy companies organized
8 for increasing war production and war production
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24 THE WITNESS: (Reading)

25 "Ordinarily the budgets of both Ministries

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1 are composed of two accounts, the General Account
2 and the Special Account. In 1937, however, a third
3 account was set up called 'War Expenditure Account'.
4 This War Expenditure Account was set up to carry the
5 direct war making expenditures after the China
6 Incident. It is significant that these accounts
7 were never closed but steadily increased in amount
8 between 1937 and 1941 as did the General Accounts."
9 I will read the following excerpts from IPS
10 Document 9023A:

11 "a) Page 1 which is the totals of the budgets
12 of the Ministry of War for the Years 1931 to 1941.

13 "b) Page 16 which is the totals of the
14 budgets of the Ministry of Navy for the years 1931
15 to 1941.

16 "Page one, Fiscal year 1931; total budget
17 of the Ministry of War, 246,619,575 yen.

18	"1932	413,230,611
19	1933	463,138,475
20	1934	463,379,989
21	1935	498,681,102
22	1936	514,778,209
23	1937	2,749,718,768
24	1938	4,250,587,886
25	1939	4,647,324,763

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 2 and the Special Account. In 1937, however, a third
 3 account was set up called War Expenditure Account.
 4 This War Expenditure Account was set up to carry the
 5 direct war making expenditures after the China
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 14 budgets of the Ministry of Navy for the years 1931
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16 "Page one, Fiscal year 1931; total budget
 17 of the Ministry of War, 246,619,575 yen.

18	"1931	246,619,575
19	"1932	413,230,611
20	1933	463,138,475
21	1934	463,379,989
22	1935	498,681,102
23	1936	514,778,209
24	1937	2,749,718,768
25	1938	4,250,587,886
	1939	4,647,324,763

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1 1940 4,894,368,020

2 1941 9,094,483,207"

3 THE PRESIDENT: In the future it will be
4 sufficient to take these very large figures to the
5 nearest million, but stating always that you are
6 doing so.

7 THE WITNESS: Page 16, budget for the
8 Minister of Navy :

9 Fiscal year	1931	232 million yen
10	1932	320 million yen
11	1933	410 million yen
12	1934	491 million yen
13	1935	534 million yen
14	1936	560 million yen
15	1937	1 billion, 307 million yen
16	1938	1 billion, 847 million yen
17	1939	1 billion, 770 million yen
18	1940	1 billion, 872 million yen
19	1941	6 billion, 352 million yen
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"145. Authorization to expend money from the Extraordinary War Expenditures Accounts of both the Army and Navy was made through the power of Imperial sanction but actually was done by the Ministers of War, Navy and Finance. For instance, the document discloses that Ministers of War ITAGAKI, HATA, AND TOJO, together with Minister of Navy, SHIMADA, as well as Minister of Finance, KAYA, all authorized expenditures from these accounts. Pages 2, 3, 4, and 17 of exhibit 859, also pages 18 and 19"-- I will reread that sentence: "Pages 2, 3, 4, 17, 18 and 19 of exhibit 859 is a complete breakdown, by dates, amounts and authority for expenditures from the Extraordinary War Expenditures Accounts.

"146. The following table discloses a clear picture of the total money budgeted for the Ministries of War and Navy in proportion to the total of the annual budgets.

Fiscal Year	Total Budget	Total of War and Navy Budgets
1936	2,317,724,000 Yen	1,075,220,972 Yen
1937	5,520,633,000 Yen	4,057,446,139 Yen
1938	8,083,662,000 Yen	6,097,755,799 Yen
1939	8,952,463,000 Yen	6,417,646,999 Yen
1940	11,033,769,000 Yen	6,766,745,902 Yen
1941	19,253,257,000 Yen	15,446,711,931 Yen

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"MONETARY POLICIES

1
2 "147. During 1932 the yen was allowed to
3 depreciate even more rapidly than the pound sterling
4 in relation to gold and the United States dollar.
5 While it is true that during 1933 and 1934 the dol-
6 lar itself depreciated vis-a-vis gold, in 1934 the
7 dollar was stabilized in terms of gold and the yen
8 was stabilized in terms of the pound sterling at
9 1s. 2d. From then until August 1939, the yen re-
10 mained pegged to the pound sterling.

11 "148. Shortly after the demise of K.
12 TAKAHASHI, Minister of Finance, on February 20,
13 1936, Japan embarked upon a series of financial
14 programs emphasizing state control of economy for
15 political purposes. This fact has been demonstrated
16 repeatedly in this statement. The Monetary Policies
17 reflect the all-out war expansion program with little
18 consideration for sound government financing. To
19 provide for the enormous budget outlays for war
20 purposes the government steadily increased its
21 issue of National Loan Bonds. The following table
22 shows the amounts of bond issues, together with the
23 amounts purchased and the percentage of purchase of
24 the issue. In many instances the Bank of Japan
25 purchased these government bonds directly and, through

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its control of banks, forced the banks and other
financial institutions to repurchase them:

<u>Fiscal Year</u>	<u>Issues</u>	<u>Purchases or Boughts</u>
1937	2,230,000,000 Yen	1,536,000,000 Yen
1938	4,530,000,000 Yen	4,066,000,000 Yen
1939	5,516,000,000 Yen	4,746,000,000 Yen
1940	6,884,000,000 Yen	5,693,000,000 Yen
1941	10,191,000,000 Yen	8,873,000,000 Yen

The increased use of the Bank of Japan as an under-
writer-distributor of government bonds is disclosed
in the following table showing the amount of holdings
of government bonds by the Bank of Japan.

"In 1936 -- 487,000,000 Yen; increased in
1941 to 5,409,000,000 Yen.

"149. The Government twice increased the
tax free note issue limit of the Bank of Japan, the
Bank of Chosen and the Bank of Taiwan between 1936
and 1941 in order to continue the easy money regime.
The following table indicates the increased amount
of notes issued by the Banks of Issue between 1936
and 1941:"

The ends of the year are cited. In 1936
the Bank of Chosen increased its issue from
211,000,000 Yen; the Bank of Taiwan, 79,000,000 Yen;
the Bank of Japan, 1,865,000,000 Yen. This increase

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1 continued until 1941. The Bank of Chosen issued
2 742,000,000 Yen worth of notes; the Bank of Taiwan,
3 253,000,000 Yen; the Bank of Japan, 5,979,000,000
4 Yen.

5 "Despite these increases note circulation
6 kept above the tax free limit; consequently, effective
7 April 1, 1941, there was passed the Law Concerning
8 Extraordinary Exceptions from Application of Con-
9 vertible Bank Note Law. This Law suspended the
10 provisions which governed the monetary reserve of
11 the Bank of Japan, Bank of Chosen and Bank of Taiwan
12 and dissolved the distinction between specie reserve
13 (gold and silver) and fiduciary reserve (commercial
14 paper and government bonds). The Ministry of Finance
15 was authorized to fix the maximum amount of tax free
16 note issues. These provisions, together with other
17 laws, had the effect of giving a completely artificial
18 value to the yen.

19
20 "150. The 'Resume of Policy Relating to
21 Execution of Summary of Five-Year Program of Import-
22 ant Industries' (Part II of exhibit 842), provides
23 in its plan for accelerating the increase of fresh
24 savings of money, at page 4, the following program:

25 "(a) To open a national movement for
practicing economy of consumption and thrift and

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saving.

1 "(b) To lower the minimum limit of postal
2 savings (from 10 sen to 5 sen).

3 "(c) To start house-to-house collection
4 system of postal savings (similar to post office
5 insurance).'

6 To put this plan into action the government set up
7 many National Savings Encouragement campaigns, even
8 providing in 1937 a National Savings Encouragement
9 Bureau, the function of which was in general to pro-
10 mote savings habits by advertising and through posters,
11 movies, and radio propaganda, particularly to attract
12 small savings to Postal Savings Offices. The effec-
13 tiveness of the savings programs is demonstrated to
14 a degree in the following table which shows the
15 amounts of bank deposits made during the years 1937
16 to 1941:"

17
18 I will read only the increased bank deposits
19 of the saving banks as being pertinent at this time:
20 1937 -- 2,117,000,000 Yen, the deposits at the end of
21 the year; 1938 savings bank deposits -- 5,571,000,000
22 Yen; 1939 -- 3,363,000,000 Yen; 1940 -- 4,453,000,000
23 Yen; 1941 -- 5,542,000,000 Yen, savings bank deposits.

24 THE PRESIDENT: Is that figure, five billion
25 odd for 1938, correct? It looks questionable in that

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context.

1 THE WITNESS: 1938 -- 5,571,000,000 Yen.

2 THE PRESIDENT: It is the largest savings
3 bank figure of all. You can look at it during the
4 recess, Mr. Liebert.

5 We will recess now for fifteen minutes.

6 (Whereupon, at 1445, a recess was
7 taken until 1500, after which the proceedings
8 were resumed as follows:)

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MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please the Tribunal, I will ask the witness to continue reading from page 120.

THE WITNESS: (Reading)

"In this connection, the Postal Savings Bank offices sold to the public special government bonds in small denominations. These were 3.5 per cent, 7-year Reconstruction Savings Certificates and Capital Savings Certificates with a face value of 100 yen. In May 1940, further steps were taken to absorb surplus savings by the sale of 'baby' bonds or 'patriotic' bonds. This sort of bond was in denominations of 5 and 10 yen and had a maturity value of 10 years but carried no interest. The appeal to purchase this sort of bond was the offering of prizes after the fashion of a public lottery. The amount of increase of Postal Savings by the impetus of this sort of encouragement is disclosed in the following table of Postal Savings Accounts:

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"POSTAL SAVINGS

Year Ending March 31	Number of Accounts	Amount of Deposit
1934	37,703,287	2,809,000,000 Yen
1941	86,556,723	7,599,000,000 Yen

"Accounts for Okinawa are included in figures above."

THE PRESIDENT: Are we to take it there was a decrease in savings bank deposits between 1938 and 1941?

THE WITNESS: A decrease in 1939 and '40, and a slight decrease in 1941.

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1 "151. As a further inducement to public
2 savings, the National Savings Association Law was
3 passed on the 12th of March 1941. It was promulgated
4 by Imperial Ordinance under the provisions of the
5 National General Mobilization Law. The purpose of
6 this Law was to provide for the establishment of
7 organizations known as 'Savings Associations'.
8 These Associations were established in local com-
9 munities, in cities, and within other associations
10 and group organizations for the purpose of encourag-
11 ing the people to deposit thrift accounts. These
12 Associations in turn, bought up national bonds with
13 their assets. Psychologically and practically these
14 organizations were very effective implements for the
15 national policy.

16 "152. Within the Government was a special
17 Bureau known as the Deposit Funds Management Bureau.
18 The purpose of this Bureau, an old-line government
19 agency, was to administer the surplus funds of spec-
20 ial government accounts, Postal Savings, the pro-
21 ceeds of the sale of Reconstruction Savings, Savings
22 Certificates, Patriotic Bonds, Special Deposits of
23 Local Government Agencies, Public Bodies, and Private
24 Institutions. This Bureau had complete control over
25 allocation and use of the assets deposited with it.

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1 One might describe it as a 'trust bank' under the
2 control and direction of the government. The in-
3 vestment of funds, however, was limited to the fol-
4 lowing:

5 "(a) Government bonds, corporate deben-
6 tures guaranteed by the government
7 and loans to government accounts;

8 "(b) Foreign government bonds and yen de-
9 bentures issued by foreign corpor-
10 ations under foreign government
11 guarantees;

12 "(c) Debentures issued by and loans to
13 public bodies and the financing of
14 emergency needs necessitated by
15 national disaster;

16 "(d) Debentures issued by corporations
17 organized under special laws;

18 "(e) Loans to banks organized under spec-
19 ial laws;

20 "(f) Deposits with the Bank of Japan to
21 be held abroad for purposes desig-
22 nated by the government.

23 "By the middle of 1941, 64 per cent of the
24 assets of the Deposit Funds Management Bureau were in
25 government bonds, 14 per cent in bank and corporate

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1 debentures, while 11.5 per cent was invested in pre-
2 fectural and municipal bonds and 8 per cent in
3 special banks and companies. The percentage of gov-
4 ernment bonds held would seem to be inordinately
5 large when one considers the origin of the funds and
6 the purpose of the Bureau. Again, the fact is clear-
7 ly demonstrated that the Government vigorously pushed
8 ahead the sale of national bonds as a method of ac-
9 quiring liquid funds.

10 "153. In connection with the adjustment of
11 capital investment to national policy, a program is
12 set out in the 'Resume of Policy Relating to Execu-
13 tion of Summary of Five-Year Program of Important
14 Industries', (Part II of Exhibit No. 842) at page 4
15 as follows:

16 "(3) Measures for adjusting investment
17 of capital.

18 "(a) To suppress fresh investment in
19 non-urgent and non-essential
20 enterprises;

21 "(b) To have the Bank of Japan super-
22 vise and guide the employment
23 of capital by the various bank-
24 ing organs;

25 "(c) To restrain double investment."

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1 "The execution of this policy is reflected
2 in the Temporary Fund Adjustment Law passed on Septem-
3 ber 10, 1937. This Law had as its purpose the adjust-
4 ment of use of funds within the country with a view
5 to equi-balancing the demand and supply of commodities
6 and funds.

7 "154. The Temporary Fund Adjustment Law
8 centralized complete authority over the nation's fi-
9 nancial structure in the Bank of Japan. Under this
10 law the following operations of all banks were strict-
11 ly regulated:

12 "(1) Control of bank credit for long term in-
13 dustrial financing;

14 "(2) Capital increases and bond issues by
15 companies engaged in important industries,
16 and

17 "(3) All financial operations and programs by
18 banking institutions and industrial
19 enterprises.

20 "The application of the law was entrusted
21 to the Minister of Finance who acted upon consultation
22 of officers of the Ministry of Finance, the Bank of
23 Japan, and the Industrial Bank of Japan. When financ-
24 ing expansion of industrial facilities, financial
25 institutions were required to obtain permission from

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1 the Ministry of Finance. The principle according to
2 which such permission was given was based on the divi-
3 sion of industries into three groups, according to the
4 degree of their participation in such activities as
5 armament production, export trade, and strategic in-
6 dustrial expansion. Class A included industries di-
7 rectly engaged in these lines and was further divided
8 into two groups, A (a) and A (b), according to the
9 importance of the industries. Loans to A (a)
10 industries up to 3,000,000 yen and loans to A (b)
11 industries up to 1,000,000 yen could be made upon con-
12 sultation with the Bank of Japan, and permission for
13 loans in excess of these amounts were freely granted
14 by the Minister of Finance. The industries in Class B,
15 to which loans could be made only under special cir-
16 cumstances, were divided into three groups, B (a),
17 B (b) and B (c), again according to the importance of
18 the industries. Loans under B (a), up to 300,000 yen
19 could be granted upon consultation with the Bank of
20 Japan, and loans in excess of this amount were freely
21 permitted; authorization for loans to B (b) in excess
22 of 30,000 yen was granted only under special circum-
23 stances; and loans to B (c) in excess of 30,000 yen
24 were generally prohibited. Class C was made up of
25 industries with excess capacity or of those industries

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1 producing unessential goods. Loans to these indus-
2 tries in excess of 30,000 yen were forbidden. This
3 law had the effect of rigidly controlling expansion
4 of industries by the Government in accordance with the
5 national policy and directing the flow of such capital
6 into preferred industries. The following table marked
7 'Gross Value Added by Manufacturing in Heavy and Light
8 Industries 1931-1941' very plainly shows the direction
9 of the controlled flow of capital. This table is
10 graphically illustrated in the appended chart marked
11 'Expansion of Industry in Japan Proper, 1931-1941.'
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1 THE PRESIDENT: Are you tendering that
2 chart, Brigadier?

3 BRIGADIER QUILLIAM: I was proposing to
4 tender the chart, sir, after the table had been
5 referred to.

6 THE WITNESS: In 1931, according to current
7 prices, light industries, the value of 2 billion,
8 315 million; heavy industries, 832 million or a
9 total of 2 billion, 147 million.

10 In 1941, a total of 17 billion, 985 million.

11 This table is rather complicated to read
12 and explain at this time to the Court. I think, per-
13 haps, a better illustration of the point might be
14 had by reference to the attached graph or chart
15 marked "Expansion of Heavy Industries in Japan
16 Proper."

17 BRIGADIER QUILLIAM: May it please the
18 Tribunal, I offer in evidence the original chart
19 which is IPS document No. 9030-124-A.

20 THE PRESIDENT: Admitted on the usual
21 terms.

22 CLERK OF THE COURT: Prosecution document
23 No. 9030-124-A will be marked exhibit No. 860.

24 (Whereupon, the document above
25 mentioned was marked prosecution's exhibit

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No. 860 and received in evidence.)

BRIGADIER QUILLIAM: And if the Tribunal approves, the witness will not read further from the table of figures for the notes on page 125.

THE PRESIDENT: The Tribunal approves.

THE WITNESS: May I explain, the point to be demonstrated by this chart and table is the fact that the money, as shown by the gross value added by manufacture according to 1931 prices which was made after a formula, shows that money was funneled into heavy industries in ever increasing amounts from 1931 to 1941 whereas the gross value, the manufacture of light industries, remain almost constant. It might be noted that heavy industry includes the metal refining and manufacture of metal products, machinery and tools, including motor vehicles and steamship building, or the basic war industries and the chemical industry.

Light industry, as referred to, includes textile manufacturing, ceramics, food products, wood and lumber products, printing and publishing, and other miscellaneous manufacturing industries usually known as consumer commodities.

"155. Further domination of banking and financial facilities was conferred upon the Minister

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1 of Finance by Imperial Ordinance No. 681 of October
2 19, 1940, entitled 'Ordinance Concerning Operation
3 of Funds of Banks and Other Financial Institutions.'
4 This Ordinance provided that all financial institu-
5 tions were required to adjust their investment
6 policies in accordance with the directives of the
7 Minister of Finance. This measure completely de-
8 stroyed the last vestige of autonomous action of
9 banking institutions. When it was deemed necessary
10 for the smooth supply of funds for expansion of pre-
11 ductivity the Minister of Finance had the power to,
12 and did, order banks to advance funds, subscribe
13 to, underwrite, or buy negotiable securities and
14 guarantee obligations. This Ordinance further pro-
15 vided that any losses incurred by financial institu-
16 tions as a result of directives of the Finance Min-
17 ister should be compensated by the Government.

18 "156. Promulgated at the same time was
19 Imperial Ordinance No. 680, entitled 'Ordinance for
20 Control of Corporate Accounts.' This Ordinance was
21 made pursuant to the National General Mobilization
22 Law and charged commercial concerns with the respon-
23 sibility for 'attainment of the national object.'
24 To accomplish the national object commercial concerns
25 were compelled to utilize and conserve funds as di-

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1 rected by the Government, to pay expenses and de-
2preciate assets reasonably, to withhold excessive
3payment of salaries and to accumulate funds. Further-
4more, the distribution of profits above a fixed
5percentage required permission of the Minister of
6Finance, as well as the payment of bonuses, etc. The
7amount of money which commercial agencies could spend
8for social expenses, entertainment, advertising, and
9contributions, other than to national defense groups
10or war relief funds were likewise subject to permis-
11sion of the Minister of Finance. Companies were
12controlled as to the limit of acquiring negotiable
13paper, patent, mining or fishing rights and the lend-
14ing or borrowing of funds. To enforce this ordinance
15the Government was empowered to inspect the books
16of any corporation at any time.

17 "157. The effect of these banking and cor-
18porate fund controls was to completely integrate the
19financial resources and activities of banks,
20financial institutions and corporations into the
21national policy. That national policy was the expan-
22sion of specific industries necessary to develop war
23materials and war material potential.

24 "158. While the immediate objective of
25industrial expansion and the control of finances by
the Japanese Government was the building up of war

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1 production and war production potential by the end
2 of the year 1941, there was an even more far-reaching
3 program which concerned the use and purpose of this
4 production. It was the domination of East Asia.
5 This purpose was clearly outlined in IPS Document
6 1611-A which is entitled the 'Outline for the Econom-
7 ic Construction of Japan, Manchoukuo and China, as
8 decided at Cabinet meeting on 3 October, 1940.' "

9 BRIGADIER QUILLIAM: May it please the Tri-
10 bunal, I offer in evidence that document.

11 THE PRESIDENT: Admitted on the usual terms.

12 CLERK OF THE COURT: Prosecution document
13 No. 1611-A will be marked exhibit No. 861.

14 (Whereupon, the document above
15 mentioned was marked prosecution's exhibit
16 No. 861 and received in evidence.)

17 THE WITNESS: I will read portions of that
18 document which is self-evident and designate those
19 portions as I proceed. It is rather a lengthy docu-
20 ment.
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"OUTLINE FOR THE ECONOMIC CONSTRUCTION
OF JAPAN, MANCHOUKUO AND CHINA

"Decided at Cabinet Meeting of 3 October, 1940.

"In order to concretely realize the mission of our country, which is to create a new order in East Asia and to ensure a lasting world peace, it is necessary to push forward the process of renovation of our domestic system and that of the expansion and reorganization of our sphere of existence collectively and unitedly. Consequently, the basic economic policy of our country should be based on the nature of the general plan of the following three processes:

- "1. Perfection of the reorganization of the national economy.
- "2. Organization and strengthening of the sphere of self-existence.
- "3. Expansion and organization of the East Asia Co-Prosperity Sphere.

"After all, it is necessary to organize and strengthen the general political, cultural and economic union of Japan-Manchoukuo, North China and Mongolia-Sinkiang Areas as an organically solid sphere of self-existence based on the national defense

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1 and geo-political position of our country, together
2 with the specific islands off the South China Coast
3 as its advance base in order to organize and ex-
4 pand our sphere of existence and at the same time
5 to establish the East Asia Co-Prosperity Sphere
6 embracing Central and South China, Southeastern
7 Asia and the southern areas in order to accelerate
8 and expedite the perfection of a national defense
9 economy. And in regard to the method of applying
10 the economic policy, it is necessary that special
11 consideration and thought be given to it to make it
12 conform to the stages of livelihood of the respect-
13 ive races while adjusting it to the basic policy
14 pertaining to our merger with the nations or areas
15 and races within the sphere of existence.

16 "Basic Policy

17 "1. The aim of the economic construction
18 of Japan, Manchoukuo and China is to establish a
19 state of self-sufficient economy with Japan, Man-
20 choukuo and China as a unit by about 1950 and at
21 the same time to accelerate the establishment of
22 the East Asia Co-Prosperity Sphere and thereby
23 strengthen and secure their position in world
24 economy.

25 "3. Japan, being the motive power for the

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1 economic construction of Japan, Manchoukuo and
2 China, will guide and nurture the economic construc-
3 tion of Manchoukuo and China by making every effort
4 to enhance the spirit of the people, renovate
5 their domestic situation and expand their national
6 power. Especially, Japan will plan for the epochal
7 development of their science and technique and
8 undertake the development of their pioneer indus-
9 tries."

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Page 2, "Sectional Policy," sub-paragraph

1 b:

"Manchoukuo henceforth will plan for the epochal development of her mining and electrical industries, in particular, and make every effort to develop her heavy and chemical industries according to the principle of the right industry in the right place between herself and China. At the same time, she will supply our Empire with a portion of the raw materials for the heavy industries. Furthermore, machine industries and armament industries will be developed to the extent of satisfying the national defense requirements."

Page 3, sub-section 2, "Labor":

"In view of the importance of the position of labor and technical productivity of the people within the national defense economy, an epochal reform will be made to the labor and technical systems. At the same time, a Japan-Manchoukuo-China labor plan based on the foundation of racial cooperation will be established and 'gesamtpolitisch' control and redistribution will be undertaken.

"a. Our Empire will make every effort to establish a new system of labor and technique, train laborers spiritually and physically, promote scientif-

1 ic education, intensify labor productivity, train
2 technicians and skilled workers and will guide and
3 assist in the economic construction of China and
4 Manchoukuo.

5 "3. Finance," page 3:

6 "For the establishment of the national
7 defense economy, the financial ideology will be so
8 changed as to enable the acquisition of the neces-
9 sary quantity and quality of materials as a state
10 primarily without placing the financial foundation
11 solely on the certainty of collection."
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1 ic education, intensify labor productivity, train
2 technicians and skilled workers and will guide and
3 assist in the economic construction of China and
4 Manchoukuo.

5 "3. Finance," page 3:

6 "For the establishment of the national
7 defense economy, the financial ideology will be so
8 changed as to enable the acquisition of the neces-
9 sary quantity and quality of materials as a state
10 primarily without placing the financial foundation
11 solely on the certainty of collection."

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Page 4, 3, sub-paragraph d:

"In regard to foreign exchange, the aim of control will not be directed solely on the economy of overseas payment, but also on acquisition of national defense materials from foreign countries and in regard to the foreign exchange funds, both Japan and Manchoukuo will utilize it jointly. Even in regard to China, it will be so set up to enable her to utilize it together with Japan and Manchoukuo as much as possible. Furthermore, it will be further planned as to make Japan the center of finance and settlement for the East Asia Co-Prosperity Sphere.

"f. In regard to the monetary system of China, it will be remedied according to the shifting of the situation with the preservation of Japan's leadership as the general principle.

"4. Commerce.

"The past conception of commercial trade will be changed to establish a trade policy based on principle of production economy with the East Asia Co-Prosperity Sphere as a unit centering around Japan and to secure its position in world economy.

"5. Traffic.

"To accelerate the unification of the economy of Japan, Manchoukuo and China and to comply with the

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1 national defense demands, shipping harbors and rail-
2 ways will be perfected and expanded for the epochal
3 development of traffic and communications among the
4 three countries. At the same time, the organic connec-
5 tion of sea and land transportation facilities will be
6 promoted and every effort will be made to affect a
7 unitary control and connection of airways and to expand
8 and perfect electrical communication and broadcasting
9 facilities. Furthermore, the epochal expansion of
10 transportation facilities on the continent will be
11 planned for."

12 Last paragraph:

13 "d. In order to maintain the autonomous
14 position of the traffic and communication in East Asia,
15 every effort will be made to bring the interests and
16 rights of the third powers under our influence one
17 after the other."

18 BRIGADIER QUILLIAM: May it please the
19 Tribunal, the statement was tendered for identification
20 and given an exhibit number, 840. I now formally
21 tender the statement in evidence.
22

23 THE PRESIDENT: Admitted on the usual terms.

24 (Whereupon, prosecution's exhibit
25 No. 840 was received in evidence.)

BRIGADIER QUILLIAM: May it please the

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1 Tribunal, that concludes the examination in chief of
2 this witness.

3 THE PRESIDENT: Captain Brooks.

4 MR. BROOKS: If the Tribunal please, the
5 defense would like to request the consideration of
6 the Court in view of the fact that the witness must be
7 tired and the defense is not quite prepared for a con-
8 solidated cross-examination, and wondered if the Court
9 would adjourn for cross-examination in the morning.

10 THE PRESIDENT: Brigadier Quilliam.

11 BRIGADIER QUILLIAM: May it please the Tribunal,
12 Might I say the prosecution would welcome that pro-
13 cedure, if it can be approved by the Tribunal.

14 THE PRESIDENT: We will adjourn until half
15 past nine tomorrow morning.

16 (Whereupon, at 1535, an adjournment
17 was taken until Thursday, 24 October 1946, at
18 0930.)

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